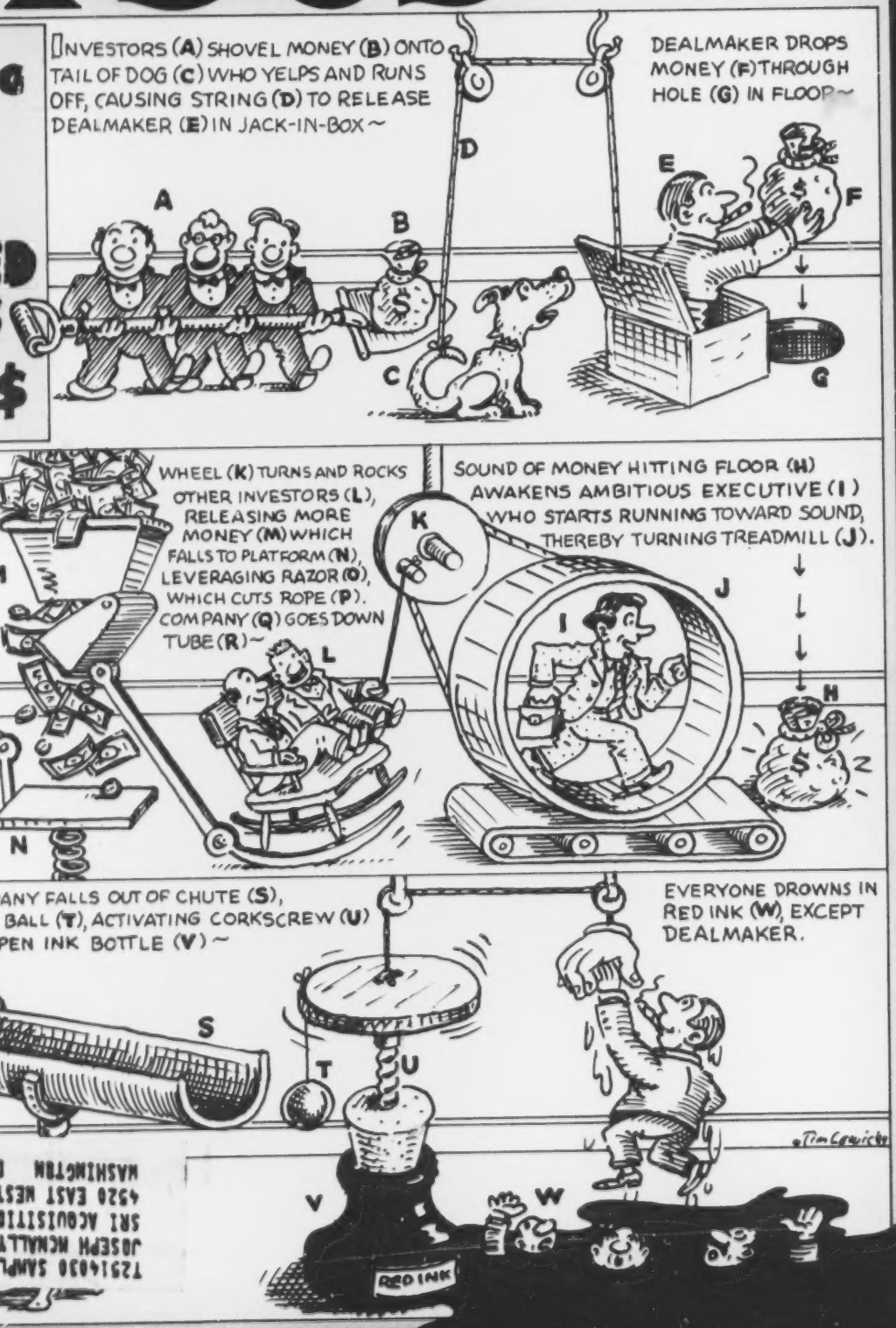
APRIL 9, 1984 THREE DOLLARS

3/28/84
C 3950-1

Forbes

EVERYTHING YOU NEED TO KNOW ABOUT LEVERAGED BUYOUTS

$$$$$$$


INVESTORS (A) SHOVEL MONEY (B) ONTO TAIL OF DOG (C) WHO YELPS AND RUNS OFF, CAUSING STRING (D) TO RELEASE DEALMAKER (E) IN JACK-IN-BOX ~
DEALMAKER DROPS MONEY (F) THROUGH HOLE (G) IN FLOOR ~
WHEEL (K) TURNS AND ROCKS OTHER INVESTORS (L), RELEASING MORE MONEY (M) WHICH FALLS TO PLATFORM (N), LEVERAGING RAZOR (O), WHICH CUTS ROPE (P). COMPANY (Q) GOES DOWN TUBE (R) ~
SOUND OF MONEY HITTING FLOOR (H) AWAKENS AMBITIOUS EXECUTIVE (I) WHO STARTS RUNNING TOWARD SOUND, THEREBY TURNING TREADMILL (J).
COMPANY FALLS OUT OF CHUTE (S), HITS BALL (T), ACTIVATING CORKSCREW (U) TO OPEN INK BOTTLE (V) ~
EVERYONE DROWNS IN RED INK (W), EXCEPT DEALMAKER.
RED INK
Tim Gravich

74820 08317
T2514030 SAMPLE 228F
JOSEPH MCNALLY ABON
SRI ACQUISITIONS DIR
4520 EAST WEST HWY
WASHINGTON DC 20016

April 9, 1984
Volume 133,
Number 8

39 *Cover: What's behind the popularity of LBOs? Terrible tax laws and an endless appetite for get-rich-quick schemes.*

62 *The Up & Comers: Software stores where the customer feels he's in a 7-Eleven.*

74 *Discounting: In this game it's 'get 'em in, get 'em fed, get 'em out.'*

The editorial index of companies referred to in this issue is on page 210.

39 Cover Story:
The Clear And Present Danger In LBOs
Wall Street, the banks, the big pension funds—just about everyone loves leveraged buyout deals these days. That, if nothing else, should tell you that it's time to beware.

44 Mutual Funds:
Will The Hot Money Stay Put?
When performance lags, redemptions can't be far behind.

45 Companies:
The Washington Post Co.
The flagship paper in Washington is a cash machine. Still, Wall Street puts the company down. Here's why.

51 Companies:
Occidental Petroleum Corp.
At 85, Armand Hammer turns conservative.

56 Entrepreneurs:
Jeno Paulucci
Starting from scratch, once more. And in luxury Florida real estate, of all things.

62 The Up & Comers:
Entré Computer Centers, Inc.
Not first, but smart. Also: Oakwood Homes; DentCare Systems.

74 Companies:
47th Street Photo
State of the art in electronics discounting.

83 On The Docket:
How To Cut Legal Bills
Why not put the work up for bids?

84 Numbers Game:
Hard Fight Over Software
Computer programs for their clients may be the best diversification move the big accounting firms have made. Needless to say, some competitors see a conflict of interest.

86 Taxing Matters:
Untouchable Profits
Wasteful tax breaks for shippers, masquerading as maritime policy.

91 Companies:
Pacific Telesis Group
Can some middle-aged "Bell heads" compete with the telecommunications hotshots?

94 Companies:
Allied Bancshares Inc.
First-class dealmakers to the middle market.

98 Stock Market:
Those "Concept" Fast Food Chains
Heartburn ahead for investors.

101 Research:
The New Alchemists
Molecule-splicing isn't as alluring as gene-splicing, but it's creating vast opportunities.

109 Companies:
Gulf & Western Industries, Inc.
Martin Davis speaks of sharks and leeches.

117 Annual Banking Survey:
Performance And Outlook . . .
. . . for the nation's 100 largest bank holding companies, 50 largest trust operations and 25 biggest S&Ls.

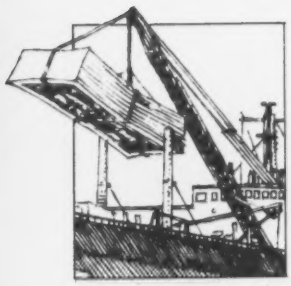
132 Companies:
Chrysler Corp., Ford Motor Co.
Of hot subcompacts and hotter trucks.

136 Streetwalker:
Fluor's Future
Insiders own but 3% of Fluor stock and Chairman J. Robert Fluor is seriously ill. Takeover potential? Also, KDI Corp.; apparel stocks; Chris-Craft Industries.

139 Companies:
Calvin Klein Industries
Talk about smooth bottom lines.

142 Companies:
Universal Health Services, Inc.
Alan Miller got even, and rich.

144 Technology:
Out Of Whole Cloth
Extraordinary things are being done with nonwoven fabrics. Also, two new Technology features: Software (a new program for personal money management) and Health (malnutrition inside hospitals).



86 *Taxing Matters: Subsidizing voyages to nowhere, to little purpose.*

101 *Research: Say "molecular engineering" and the eyes glaze over.*

142 *"None of us liked Humana. Why work for them when we could do it all ourselves?"*

190 *Mutual Funds: Some dismal performances merely show how marketing-oriented they now are.*

158 Personal Affairs:
Commuting By Motorcyle
All you need to know if you're inclined to park for pennies a day. Also, the high cost and low wages in accepting a job in Washington; managing your travel money abroad.

Faces Behind The Figures

168 Brian Dyson,
Coca-Cola USA
168 A.J. Pasant,
Jackson National Life Insurance Co.
169 Glenn Johnson,
Softwaire Centre International
171 Michael Richer and Melvyn Goodman,
Allnet Communication Services, Inc.
174 Mike Trainer,
Lawyer-manager for Sugar Ray Leonard
174 Elvin Feltner,
Krypton Corp.
176 John Feight,
Scientific-Atlanta
177 Johnie Ouzts,
Ensource Inc.

182 The Funds:
Charter Fund
After five hot years, Julian Lerner has cooled off a bit. But he's nothing if not nimble in staving off redemptions.

186 The Money Men:
Robert Machinist And Michael Stanfield
They got rich on leveraged buyout deals. Now, they have turned cautious. Here is their thinking.

190 The Funds:
Pretty Packages, Poor Results
Some mutual funds, like some stocks, come equipped with stories. Here, a roundup of some shares, with stories, that are doing worse than the market.

192 Statistical Spotlight:
A Forest Rich With Game
Only recently the markets seemed bereft of bargains. Now, they are again full of stocks with temptingly low price/earnings ratios.

Money And Investments

33
What's Ahead For Business
34
The Forbes Index
179
The Forbes/ Wilshire 5000 Review

Columnists

199
Ben Weberman
200
Ann C. Brown
202
Thomas P. Murphy
204
Srully Blotnick
206
Stanley W. Angrist
208
Ashby Bladen

Departments

6
Side Lines
8
Trends
16
Follow-Through
20
Readers Say
25
Fact and Comment
28
Other Comments
31
Fact and Comment II
211
Flashbacks
212
Thoughts

Photos:
8, Arnold Maahs/Black Star; 16, 136 bottom, Black Star; 31, Bettmann Archive; 45, 101, 102, Michael Abramson; 46, 136 top, AP/Wide World Photo; 51, Wayne Sorce/Visions; 56, Susan Greenwood/Gamma-Liaison; 62, Robin Kinmonth/ Gamma-Liaison; 68, 176, Terry Parke/Gamma-Liaison; 72, Cradoc Bagshaw; 74, 75, 76, 78, Alon Reininger/Contact; 91, Ed Kashi/Gamma-Liaison; 94, Herman Kokojan/Black Star; 109, Joe McNally; 132, Don Hamerman; 139, 174 bottom, Mark Ferri; 142, 168, Randy Taylor/Sygma; 150, Jill Krementz; 156, Zigy Kaluzny/Gamma-Liaison; 158, 159, Bob Sacha; 160, Thomas Lea; 169, Eric Smith/Gamma-Liaison; 170 top, Mark Sennett; 170 bottom, Kevin Horan/Picture Group; 174 top, Bill Ballenberg; 177, David Cupp/Woodfin Camp; 182, Peter Mortimer/Gamma-Liaison; 186, Paul Fetters.

Illustrations:
39-43, 83, Tim Lewis; 85, 86, Chas. B. Slackman; 152, Brian Aihar; 162, Phil Huling; 190, Gary Hallgren.

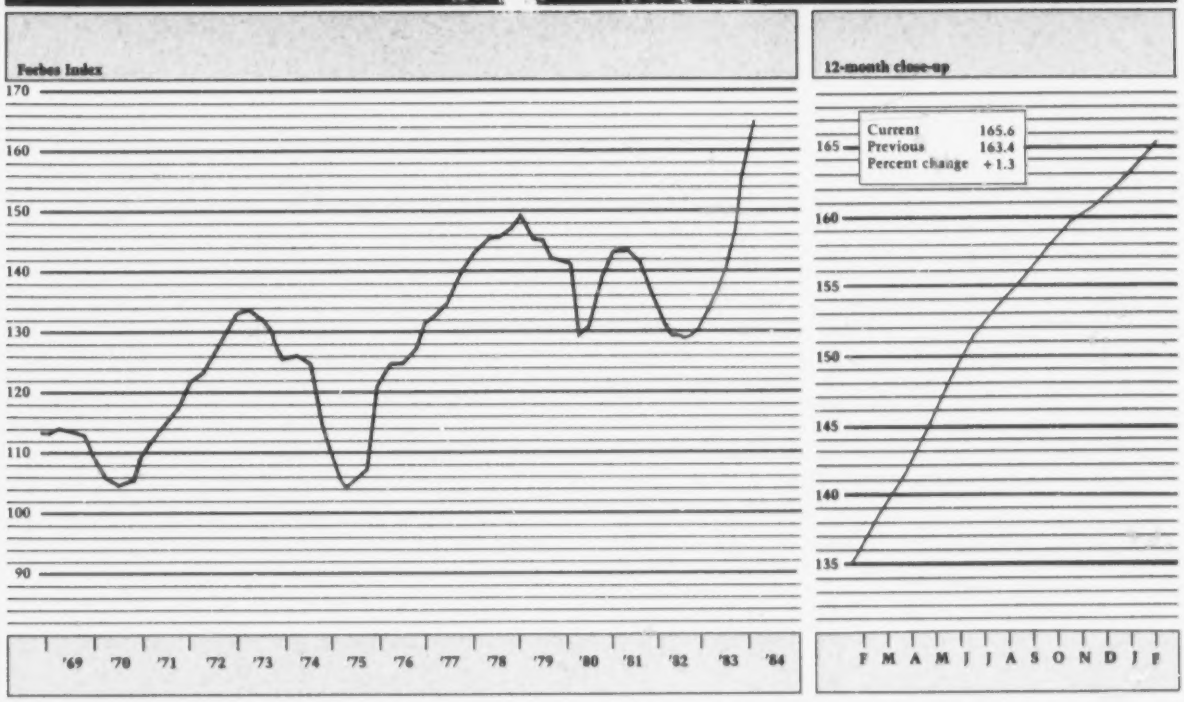
Cover Illustration: Tim Lewis

Forbes (ISSN 0015 6914) is published biweekly, except weekly during two weeks in April and two weeks in October, by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $39 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1984 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

Forbes does not supply back issues or copies of individual articles nor can it provide information on the contents of earlier issues. Photocopies may be ordered from University Microfilms International, 300 N. Zeeb Road, Ann Arbor, Mich. 48106. The full text of each issue of Forbes is also available on the Nexis databank. Abstracts of selected articles or issues are available on the New York Times Infobank (through Nexis), Dialog and the Dow Jones databank. Information on the contents of issues can be found in *Readers' Guide to Periodical Literature* or *Business Periodicals Index*, both published by the H.W. Wilson Co. and found in most libraries.

The Forbes Index



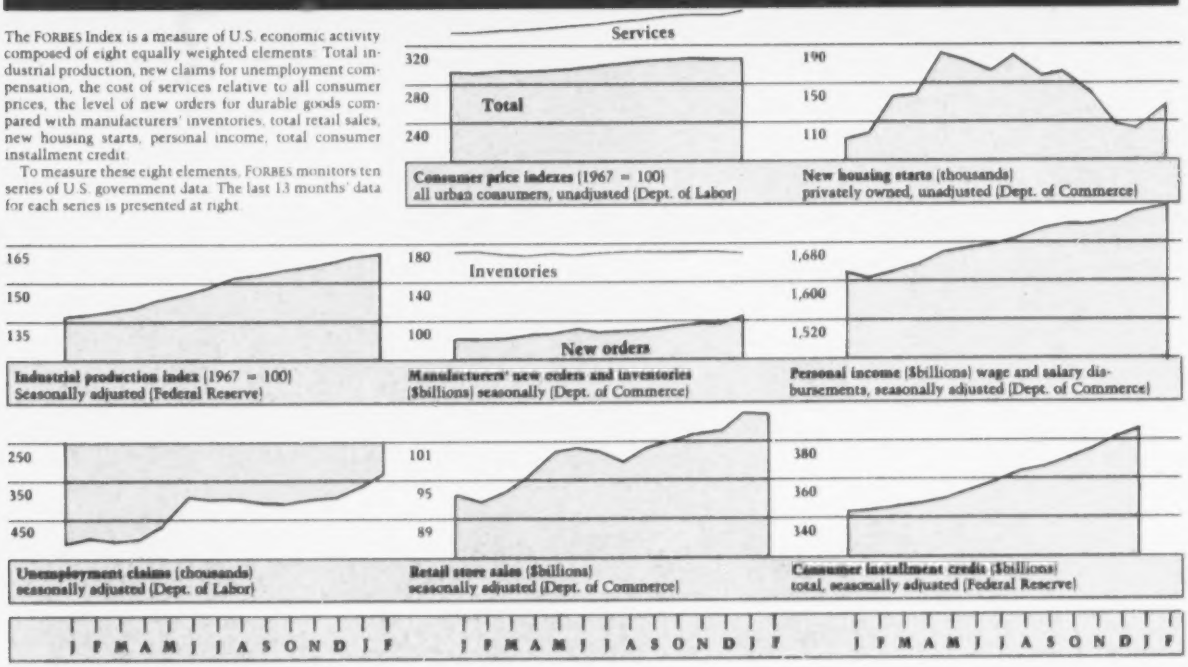
Hot streak. The Forbes Index, with a 1.3% gain in the latest reporting period, continues to climb. The strongest push came from a 16.7% rise in new housing starts. Industrial production shows a month-to-month rise of 1.2%. And new unemployment claims fell 5.6% from January to February. The ranks of the newly unemployed are now some 28.4% smaller than they were one year ago. Retail sales for February 1984 were up 16.3% over February 1983. This figure, however, declined 0.2% from January to February 1984, thanks, in part, to harsh weather.

Watch the overall Consumer Price Index. The January rise in this indicator signaled higher inflation. If the trend accelerates, both the recovery and the Forbes Index could suffer.

The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 13 months' data for each series is presented at right.



Steve Heller and Jim Edgette weren't the first personal computer retailers. But they knew how to succeed.

Smarter and richer

By Paul B. Brov

WHEN STEVEN B. HELLER and James Edgette decided to start a chain of computer stores three years ago, it might have seemed a little late in the game. In ComputerLand, a privately held, well-established chain that already had gone national (FORBES, *Dec. 5, 1983*), the two Virginia entrepreneurs faced heavyweight competition. Yet, starting from scratch, they have made their Entré Computer Centers, Inc., with 145 stores, the country's largest independent retail computer chain next to ComputerLand.

Heller, a computer specialist, and Edgette, a professional marketing man, have become a little cocky along the way. If knocking the competition were the name of the game, Entré (pronounced AHN-tray) would be number one. Listen to Edgette: "If ComputerLand had done things right, we never would have gone into business. But they do reactive selling. At ComputerLand it's much like what happens at the 7-Eleven. You walk in, tell them what you want and they give it to you."

Really? Customers questioned by FORBES felt there was little difference in the service between the two chains. In many ways it is hard to tell the stores apart. William Millard, founder and chairman of ComputerLand, suggests that Entré succeeds because the market is growing so fast that there has been room for plenty of competitors. Says Millard: "This is not like many industries, where to succeed you must take market share away from someone else. There is a tremendous need out there for sales, support

Entré Computer Centers' Jim Edgette and Steve Heller
Wanted: people who can't tell a gigabyte from a Gidget movie.

Barclays American Business Credit
An affiliate of BARCLAYS Bank

For business financing from a different perspective, give us a call. We lend on your intangible and tangible assets. Given our special understanding of these assets, we can provide the fast, flexible financing you require. When you need $1 million or more, remember our name.

Dial 1-800-243-LOAN.

The Up & Comers

and quality. Anybody who provides professional service will do well."

Moreover, Heller and Edgette are a bit off the mark in thinking that ComputerLand has somehow gone wrong. It will probably sell about $1.5 billion in computer gear this year, nearly 4 times Entré's revenues. ComputerLand is enormously profitable, too, with pretax margins of 42%. Entré, based in Vienna, Va., must write off a lot more startup costs before Heller and Edgette are able to come close to those margins.

But Entré is also unquestionably successful, and Heller and Edgette did their homework. After 18 months, largely spent in researching existing computer store franchises, they decided that they couldn't miss if they addressed the needs of potential customers who didn't know a gigabyte from a Gidget movie.

"If you can find out what the customer wants to do and show him that the machine will do it, you don't have to be the cheapest," Edgette says. Thus Entré has avoided discounting, and it won't even handle computers selling for less than $1,000.

Heller and Edgette are a pair of born entrepreneurs. By 1979, when they were each 38, they had built a company called Acuity Systems, Inc., which marketed an ocular device to ophthalmologists and optometrists, to the point where they were able to sell it for $16 million. That gave them a stake for another venture. Personal computer sales that year were only $200 million but were projected at $18 billion in 1987. That was too good a market for Heller and Edgette to ignore.

To test their ideas, they opened a store in McLean, Va. in October 1981. Its sales soon exceeded those at the average ComputerLand franchise. Entré is still expanding fast. Another 85 stores should open by the end of the year, and hundreds more are planned for years to come.

More than half of Entré store sales come from International Business Machines products. IBM no longer looks quite so invincible. Sales of the PCjr haven't met projections, for example. Moreover, the contract that makes Entré an authorized IBM dealer could be canceled on only 90 days' notice. Not to worry, Edgette says. "Our comfort level on that is high. We work very hard to keep our relations good." Entré has a map that shows the location of all IBM-authorized dealers in the country. Entré does not sell franchises near them. Why anger your largest supplier?

An Entré franchise does not come cheap. To get one, retailers pay $40,000 as a franchise fee to Entré, and then a royalty of 8% of sales and another 1% to cover corporate advertising. For that they get Entré's name, intensive training, professional marketing help and a chance to run a business with more than $1 million in annual sales and pretax margins around 10%. But they must draft their own business plan, and they must buy almost all their computer products through Entré, which imposes a 1% markup for overhead costs that, it could be argued, should be covered by the 9% they are already paying. And while the franchisees pay cash on delivery, Entré takes 30 days to pay its suppliers.

If all this sounds a bit stiff, it is similar to the terms that ComputerLand imposes on its franchisees. William Jennings, the Entré franchisee on Commercial Street in Portland, Me.,

The big three in computer retailing

In the booming computer retail market nothing stays the same for very long. Entré, which had just one-fifth the number of stores compared with ComputerLand in December 1983, should be two-fifths the size of rapidly growing ComputerLand by year-end. Margins are enviable for both.

Company	Founded	Franchisor	Computer centers as of 12/31/83	Computer centers as of 12/31/84	Projected stores sales[1]	Projected company revenues[2] (millions)	Estimated company pretax earnings
ComputerLand	1976	Yes	602	942	$1,800	$190	$80
Radio Shack (subsidiary of Tandy Corp)	1978	No	538	738	1,000	1,000	232
Entré	1981	Yes	132	365	425	39	13

[1]Includes worldwide sales. [2]For ComputerLand and Entré corporate revenues include: sales of new franchises, revenues from company-owned stores, royalties from sales made by franchises plus markup on sales of computers sold to franchisees. Note: Dollar figures are as of Dec. 31, 1984.

The Up & Comers

thinks that paying 9% is high. Still, says Jennings, "If I were running Entré, I don't know that I would make it any different." Conversations with other franchisees reveal no real disenchantment. Their yearly profits, after all, are averaging more than $100,000, and some achieve results several times that, within months of opening their stores.

Is there no worm in this apple? Alas, perhaps there is. Right now customers are awed by computers and feel more confident, or less frightened, shopping in a specialty computer store. But as computers become more familiar and brand names established, price will become more important. Manhattan's 47th Street Photo *(see p. 74)* already has become a powerful off-price mail-order distributor of computers and computer products. It is easy to talk of price "de-emphasis," as Edgette and Heller are fond of doing, but the history of consumer electronics offers small comfort to those who believe in the permanence of high margins.

Still, all such concerns are probably premature. Edgette says, with justification: "These worries about the shakeout in computer retailing are legitimate, but only 7% of the market has been saturated. Right now the marketplace is very forgiving."

And, for Entré, rewarding. First-quarter sales were $24 million, up from $1.4 million a year ago. Earnings equaled 13 cents a share against a loss a year earlier caused by startup spending. Entré is likely to earn 75 cents a share for the full fiscal year ending Aug. 31.

While growth continues in the U.S., Europe remains untapped. But Entré expects to sell 300 or 400 franchises there. The first store in Europe should open soon. As volume builds, sale of new franchises becomes less important. The bulk of Entré's earnings, like ComputerLand's, is now coming from royalties rather than one-time franchise fees.

When Entré went public last summer, Heller and Edgette kept a total of 52% of Entré's 9 million shares. Since then each has reduced his holding to 21%, but they still firmly control the company. By the time they sold their first company, Acuity, venture capitalists owned 90% of it. With Entré the partners got a little smarter and a lot richer.

Oakwood Homes' Nicholas St. George
Profitably mobile.

The $17,000 single-family home

Nicholas St. George, 45, is one of those outside corporate directors who ended up running the company (FORBES, *Mar. 12*). The company is Oakwood Homes, a small but exceptionally prosperous manufacturer of mobile homes. The board asked St. George to take charge in 1978, when chief executive James LaVasque was killed in an airplane crash.

St. George hesitated. He liked his job as vice president of Ferguson Enterprises, Inc., a plumbing and heating supplier in Virginia. But St. George wanted "the chance to run my own show," he says. He took over Greensboro, N.C.-based Oakwood.

Instead of retrenching in the face of the worsening housing slump and climbing interest rates, St. George took a gamble. Figuring that more home buyers would settle for low-priced manufactured housing, despite its tacky image, he expanded output

On Wall Street, high tech is cold right now, but broiling hamburgers is hot.

People are going to get burned

By Jessica Greenbaum

CUSTOMERS CAN'T GET enough of the 8-ounce hamburgers and long-neck beer bottles at Fuddruckers, a trendy, San Antonio-based bistro chain. The company even won an injunction to keep a competitor from copying its floor plan, which includes hanging sides of beef and a glassed-in bakery. Investors are captivated, too. Fuddruckers went public last year and now trades at 237 times earnings.

At T.G.I. Friday's, a swinging singles chain with 1940s nostalgia decor, the bartender's bell clangs whenever there's a fat tip. The cash register, however, rings constantly at Carlson Cos., the chain's privately held majority owner. Carlson pulled out a $42 million dividend, which almost erased Friday's net worth, just before serving shares to the public in December at 24 times earnings.

These trendy fast-food outfits are a trend themselves. Flakey Jake's, which sells burgers, alfalfa sprouts and piña coladas to a clientele of what marketers like to call "upscale young professionals," went public in September at $2 a share. Never mind that the folks who control it also operate Sea Galley Stores, a chain that lost $7 million on sales of $17.6 million in the most recent quarter. Flakey Jake's stock doubled, and eager outside investors bought another 1 million shares in February.

Over 30 restaurant chains have gone public in the past year, according to *Going Public*, a Philadelphia-based newsletter. Selling shares doesn't even take a proven idea. Pastabilities, for example, had only one pilot restaurant and was still losing money last July after three years in operation. But the new-issues crowd lined up to buy in at 12 times what insiders paid for their shares.

According to the table below, which profiles 12 firms that have raised money from the public since early 1983, tacos are very hot on Wall Street. So are croissants. Witness Vie de France, another bakery within a bistro. The chain went public in February, at $11.50 a share. New stockholders suffered an immediate 81% dilution: For every $10,000 invested they got $1,900 worth of assets and $8,100 worth of theme.

None of these sizzling restaurants is likely to be the next McDonald's; each has a specialized appeal with, by definition, a limited market. Would-be investors should reflect on theme concepts past.

Bonanza, the home of western-style steak and potatoes, was hot in the early Seventies. But adjusting for inflation, anyone who bought its shares at the 1973 peak and sold when Sam Wyly took the chain private in February lost 80% of his cash. In 1982 pizza-entertainment parlors were more to Wall Street's taste, and Nolan Bushnell's Pizza Time Theater traded as high as 32½. Now the company is losing money, and its shares trade at around $5.

"People buy growth," says Charles Glovsky, an analyst at Eppler, Guerin & Turner, elaborating on the obvious. "Concepts in the food industry keep turning over, so you continually have growth stories." Buying growth is smart if you can find it at a reasonable multiple, but buying growth-past is a sucker's game. ■

Flash in the pan?

Company/*Theme*	—Stock price— recent	latest offering	Latest EPS	12-month P/E	Revenues (millions)	Market value (millions)	Price/ sales ratio
Calibre Corp/*singing mechanical animals*	9	8	$–0.04	NM	$6.3	$27.18	4.30
Chi-Chi's, Inc/*45-minute Mexican gourmet*	17⅞	21¼	0.53	33.7	97.6	470.11	4.82
Chili's, Inc/*hanging plants, frosted mugs*	15½	15	0.55	28.2	37.3	64.02	1.72
Cracker Barrel Old Country Store/*"good country cookin' "; fireplace*	17¼	22¾	0.84	20.5	45.7	48.30	1.06
Cucos Inc/*Gulf Coast Mexican: "wild tostadas" and "macho nachos"*	3½	5	0.12	29.2	2.4	3.92	1.62
Flakey Jake's, Inc/*small-town street decor*	6⅛	4⅛	–0.04	NM	1.6	39.32	25.37
T.G.I. Friday's Inc/*fried potato skins for singles*	11⅝	17½	0.65	17.9	229.5	131.36	0.57
Fuddruckers, Inc/*butcher's showcase*	14¼	7	0.06	237.5	10.1	83.36	8.25
Pastabilities Food Service Corp/*mix-and-match pastas with sauces*	2⅛	5	–0.14	NM	0.4	5.67	14.43
Po Folks Inc/*rustic setting, drinks in Mason jars*	13½	15	0.41	32.9	69.8	59.67	0.85
Rusty Pelican Restaurants/*upscale fish, live entertainment*	12¾	11½	0.70	18.2	30.1	22.70	0.75
Vie de France Corp/*bakery-in-a-restaurant*	11¾	11½	0.47	25.0	43.1	107.87	2.50

NM: Not meaningful.

Last year wasn't a particularly prosperous one for many bankers. But there was some good news. Fee income is growing fast.

There's no such thing as a free check

By Ben Weberman

DESPITE THE GLOOMY STORIES that dominate today's news about banking, everything isn't bad. The industry is only beginning to see the results of a major effort to boost fee income. The growth of these charges, on everything from bounced checks to loan commitments to notarizing signatures, is a major success story for many banks. And having gleefully tacked on hefty charges for whatever they do, most banks are now raising their rates substantially in 1984.

Bankers have been talking about raising fees for at least a decade. But even a few years ago, when nearly all deposits were non-interest-bearing checking accounts, banks everywhere were willing to provide free checking and a multitude of business services to anyone who maintained a certain minimum balance. Using that "free" money, banks presumably earned enough to cover overhead.

Today, in contrast, most corporations have vice presidents in charge of making sure bank balances are as close to zero as possible. If they are not, the objective is to sweep those balances into certificates of deposit and other short-term instruments.

Another fee bonanza is in prospect, thanks to the surge in loan commitments that has developed since the start of the year. Borrowers pay a charge, usually 0.25% of the unused portion of the commitment, whenever they line up a loan. These numbers mount fast. For example, the $12 billion line of credit Arco negotiated in anticipation of buying Gulf could have cost $30 million.

On Wall Street, the effect of all this isn't yet appreciated. Investment analysts still look largely at old-fashioned yardsticks like net interest margins, loan growth potential and capital base. They don't realize that the grow-

Leaders and laggards

Most bank industry performance measures were down last year. Earnings growth took the biggest hit, with the four-year median rate falling from 10.3% to 8.4%. Still, some good performers—like Allied Bancshares, FORBES' profitability leader for four years—continued to do well. Crocker, however, lost big when it created huge loan loss reserves last year. Figures can be misleading. First Pennsylvania, for example, scores poorly on several counts. But it is starting to recover from losses piled up recently.

	Industry median	Highest		Lowest	
Asset growth[1]	11.3%	Banc One	27.6%	First Pennsylvania	–11.0%
Earnings growth[1,2]	8.4	Fidelcor	80.8	Crocker National	P–D
Return on equity[3]	14.3	Allied Bancshares	26.1	First Pennsylvania	–15.6
Net interest margin	4.45	Trust Co of Georgia	6.87	Continental Illinois	2.53

[1]Compound annual rate 1979-83. [2]Per-share figures. [3]Four-year average. P–D: profit to deficit.

1984 Annual Banking Survey

Rank	Total assets	Total deposits	Total loans	Loan loss reserve % loans	Total invest-ments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Noninterest revenues	Net income[2]	Company and headquarters
	1983 size measures ($millions)											
1	$134,655	$79,794	$89,237	0.9%	$5,834	$17,273	$17,992	67.7%	$17,037	$1,840	$860	Citicorp (NY)
2	121,176	95,751	80,342	1.3	7,368	10,139	7,666	33.0	13,299	1,217	390.5	BankAmerica (Cal)
3	81,921	56,300	55,443	1.0	3,418	5,600	5,495	34.9	8,523	864	429.6	Chase Manhattan (NY)
4	64,332	42,284	44,957	1.0[4]	2,913	9,800	5,218	48.8	6,596	619	337.0	Mfrs Hanover (NY)
5	58,023	38,070	33,084	1.5[4]	6,615	4,900	4,112	19.3	5,764	558	460.0	JP Morgan (NY)
6	51,165	32,452	32,710	1.2	4,547	8,126	3,012	23.5	4,903	452	305.6	Chemical New York (NY)
7	44,423	32,031	24,929	1.5	4,852	2,244	3,535	40.8	4,341	463	247.4	First Interstate Bncp (Cal)
8	42,097	29,431	30,359	1.2[4]	1,762	5,593	3,078	40.8	4,381	404	101.2	Continental Illinois (Ill)
9	40,382	27,843	27,006	1.3[4]	2,166	2,442	3,454	47.4	4,323	623	264.3	Security Pacific (Cal)
10	40,003	22,829	23,324	1.3	1,086	6,600	2,212	19.1	3,858	426	256.9	Bankers Trust NY (NY)
11	36,323	27,680	21,910	1.0[4]	1,974	3,885	2,346	25.7	3,675	383	183.5	First Chicago (Ill)
12	27,018	20,361	19,119	1.0	968	1,110	2,880	53.2	2,993	276	154.9	Wells Fargo (Cal)
13	26,433	15,693	15,252	1.7[4]	1,742	1,860	2,042	28.5	2,520	291	183.8	Mellon National (Pa)
14	23,393	18,928	16,081	1.5	691	1,857	1,435	14.3	2,560	192	–10.4	Crocker National (Cal)
15	22,872	16,077	13,123	1.3	1,321	1,241	1,586	34.1	2,156	170	101.1	Marine Midland Banks (NY)
16	21,736	16,909	14,526	2.1	3,279	1,012	1,549	30.0	2,151	156	–171.6	InterFirst (Tex)
17	20,871	13,430	10,959	1.2[4]	4,026	1,267	1,544	27.9	1,928	225	129.7	First Bank System (Minn)
18	19,854	13,552	12,015	1.5	2,859	715	2,580	55.6	2,319	324	125.2	Norwest (Minn)
19	19,538	12,381	11,499	1.2[4]	1,198	988	1,447	30.4	2,599	266	135.7	Bank of Boston (Mass)
20	19,499	13,051	11,467	1.3	2,414	725	1,132	10.0	1,668	110	177.0	Texas Commerce Bshs (Tex)
21	19,082	13,907	11,845	1.2	2,421	878	1,327	26.4	1,736	132	130.2	Republic of Texas (Tex)
22	18,586	12,610	10,411	1.4[4]	1,067	1,006	1,174	29.0	1,836	168	92.5	Irving Bank (NY)
23	17,263	13,714	10,408	2.2[4]	2,686	933	1,007	12.0	1,624	151	49.8	First City Bancorp (Tex)
24	13,245	8,947	5,700	1.4	3,253	357	914	12.7	1,151	77	81.7	NBD Bancorp (Mich)
25	12,808	8,813	6,730	1.2	2,079	334	874	30.3	1,252	125	92.2	NCNB (NC)
26	12,797	9,560	8,035	1.0	1,282	791	762	12.9	1,340	199	90.6	Bank of New York (NY)
27	12,245	7,437	5,876	1.5[4]	2,726	734	1,101	30.5	1,218	158	117.0	PNC Financial (Pa)
28	11,884	9,017	7,457	1.4[4]	1,813	866	851	22.3	1,113	113	100.4	Mercantile Texas (Tex)
29	10,119	7,085	2,632	1.8	1,596	52	968	35.0	990	56	84.7	Republic New York (NY)
30	9,397	8,063	5,091	1.6[4]	1,916	70	660	22.6	988	116	81.9	Barnett Banks of Fla (Fla)
31	8,901	7,268	4,545	2.0	1,911	103	662	23.7	594	60	46.3	Sun Banks of Florida (Fla)
32	8,883	6,640	4,351	1.3	1,460	146	635	24.9	867	92	54.5	Southeast Banking (Fla)
33	8,713	5,960	5,797	1.1	820	934	630	38.8	895	72	19.2	European American[5] (NY)
34	8,587	6,112	4,815	1.5[4]	1,084	375	788	25.8	900	115	85.4	CoreStates Financial (Pa)
35	8,557	6,967	3,739	1.3	1,348	227	534	13.5	780	69	48.7	Comerica (Mich)
36	8,146	6,544	4,579	1.1	1,145	180	466	6.2	814	86	45.8	Valley National (Ariz)
37	7,989	6,676	4,542	2.1	1,029	149	537	23.1	771	92	39.8	Southwest Bancshares (Tex)
38	7,923	6,069	4,954	1.1	486	453	449	12.2	734	61	38.6	Union Bank[5,6] (Cal)
39	7,895	6,472	5,574[4]	1.3[4]	1,455	233	544	16.1	785	66	98.8	Allied Bancshares (Tex)
40	7,850	5,821	3,937	1.5	1,335	161	507	2.6	789	107	84.6	Wachovia (NC)
41	7,471	5,746	4,627	1.2	790	369	609	18.2	729	61	25.3	Natl Westminster[5,6] (NY)
42	7,425	5,060	3,848	1.0	638	509	424	6.0	780	105	31.3	Harris Bankcorp (Ill)
43	7,270	5,937	4,202	1.4[4]	1,065	127	657	15.2	743	85	83.3	Banc One (Ohio)
44	7,187	5,567	4,500	1.2[4]	1,105	238	510	16.0	817	114	65.5	Sovran Financial (Va)
45	6,934	4,560	3,711[4]	1.4[4]	1,130	104	512	26.4	684	116	57.9	Citizens & Sthn NB (Ga)
46	6,891	5,955	4,849	1.2[4]	908	140	457	23.9	779	80	15.9	Michigan National (Mich)
47	6,803	4,319	3,372	1.8	1,573	83	505	23.9	657	100	58.5	First Union (NC)
48	6,586	4,567	3,410	1.4	1,183	270	526	19.9	631	51	34.9	National City (Ohio)
49	6,511	4,471	3,726	1.0	707	85	697	30.8	653	73	52.4	US Bancorp (Ore)
50	6,438	4,372	3,115	1.2	742	361	451	23.3	683	122	18.3	Northern Trust (Ill)

[1]Four-year average is a compounded annual rate 1979-83. [2]From continuing operations excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax-equivalent basis as a percent of average earning assets. [4]Includes leases.

The 100 largest bank holding companies: a statistical profile

Growth measures[1]							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share[2]		Dividend	Return	Net int	Overhead				
4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	on equity 4-yr avg	margin[3] 1983	times NI 1983	Recent price	1983 EPS[2]	P/E ratio	Current yield
7.9%	5.3%	9.7%	10.9%	10.5%	15.7%	9.8%	15.1%	3.74%	4.4	37⅞	$ 6.48	5.8	5.0%
6.9	2.5	5.6	1.0	–14.2	–16.2	4.7	11.8	3.45	9.1	20¾	2.18	9.5	7.3
7.2	2.4	8.6	7.9	5.6	41.8	9.9	14.0	3.54	4.8	49¼	10.96	4.5	7.4
10.4	3.8	8.3	8.3	6.9	7.6	7.5	13.8	3.26	4.3	36⅞	8.37	4.4	8.6
9.4	2.0	10.6	10.2	10.5	10.4	10.3	15.6	3.03	1.7	69½	10.52	6.6	5.8
9.0	7.1	8.1	6.2	14.9	13.0	10.6	15.5	3.86	4.1	46½	9.50	4.9	7.6
10.6	6.9	9.1	7.2	1.7	7.7	9.0	14.7	4.81	5.6	37⅜	5.76	6.5	6.0
4.9	–11.8	5.5	0.8	–16.2	26.2	7.8	10.9	2.53	7.1	18¼	2.46	7.4	11.0
12.0	6.5	11.4	9.4	9.9	10.7	9.8	16.7	4.26	4.9	46	7.23	6.4	4.9
8.7	3.0	11.4	10.9	15.9	20.5	10.0	17.3	2.85	3.0	45¼	8.40	5.4	5.4
7.9	–0.6	4.6	6.7	8.6	17.7	2.3	9.3	2.57	3.7	24¼	3.92	6.3	5.3
7.2	2.5	8.2	7.6	2.6	3.8	4.0	13.6	4.33	5.4	40⅛	6.03	6.7	5.4
18.2	24.0	6.2	–1.1	10.9	8.9	7.3	13.5	3.60	3.5	42½	7.44	5.7	6.1
13.6	5.3	6.7	–1.9	P–D	P–D	5.3	7.2	3.45	—	26¼	–0.63	def	9.1
9.3	8.6	6.5	7.3	11.1	6.8	15.0	10.2	3.50	5.2	24¼	4.85	5.0	6.6
14.1	9.1	3.6	–21.0	P–D	P–D	14.4	11.7	3.94	—	13⅜	–2.82	def	4.5
13.4	14.0	9.3	8.6	5.6	10.4	8.3	13.9	3.45	3.4	51	8.46	6.0	5.8
12.7	18.4	6.6	6.1	–0.5	31.5	8.9	12.4	4.54	5.6	30⅛	4.05	7.4	6.0
10.1	7.5	11.0	9.4	12.9	10.9	11.6	15.6	4.16	4.4	38½	7.40	5.2	6.0
17.0	9.8	17.3	15.6	18.1	3.0	16.3	21.7	4.32	2.0	46	5.50	8.4	3.1
13.6	8.9	12.2	9.4	11.0	–10.5	18.5	17.5	3.94	2.8	30¼	4.61	6.6	5.4
6.5	0.7	9.9	7.7	5.8	6.5	9.6	14.7	3.07	5.1	58⅜	9.72	6.0	6.3
15.9	11.7	12.2	–0.4	–16.7	–65.1	14.7	15.3	4.15	8.5	19⅜	1.23	15.8	6.7
7.4	–1.2	7.6	7.9	2.0	0.9	2.9	11.2	3.74	3.5	41¾	6.75	6.2	5.3
18.1	37.1	11.2	7.3	12.9	15.7	13.5	16.0	4.29	3.7	24¾	3.68	6.7	4.5
10.8	3.7	7.9	10.2	12.7	12.0	8.4	15.1	4.21	4.2	29¼	5.70	5.2	6.2
13.2	9.2	10.9	10.8	15.3	11.2	NC	16.9	4.18	2.8	39⅝	5.66	7.0	5.4
17.3	16.5	14.5	12.8	15.2	–3.9	11.9	19.4	4.36	2.7	25¼	3.98	6.3	5.2
26.7	1.0	21.3	22.7	18.4	4.0	24.2	23.7	2.87	1.7	39¼	5.47	7.2	4.1
25.0	35.4	13.3	17.3	17.1	33.2	17.7	17.4	5.90	4.4	37⅛	4.61	8.1	3.2
21.6	25.2	9.3	16.7	11.1	15.8	10.7	14.6	5.40	4.6	25	3.08	8.1	4.8
17.3	18.8	7.2	3.2	2.1	7.1	8.5	14.1	4.59	5.3	22⅛	3.01	7.5	4.8
6.6	1.4	7.4	7.9	–2.2	–36.9	—	8.9	3.77	12.6	—	—	—	—
10.0	27.4	5.7	–0.9	18.5	17.0	9.6	14.2	5.66	3.6	31¼	5.70	5.5	5.9
12.3	17.4	4.0	7.0	0.4	18.0	6.2	10.7	3.55	4.4	26¼	4.39	6.0	7.6
11.6	10.6	10.3	6.4	–3.2	–9.3	8.6	15.2	4.89	6.0	22¾	2.72	8.4	5.1
16.0	11.8	10.7	4.4	2.3	–41.5	13.2	15.6	4.27	5.1	26⅛	2.48	10.6	5.5
4.5	0.9	7.8	13.3	3.1	24.5	—	10.2	5.41	7.0	—	—	—	—
25.7	23.8	19.8	19.1	23.4	15.4	29.2	26.1	5.56	1.7	23⅝	2.55	9.3	3.2
11.0	9.2	10.7	14.0	18.5	58.0	17.2	15.6	5.32	2.8	42⅛	5.26	8.0	4.1
11.6	4.9	14.4	34.0	10.5	44.6	—	5.4	4.02	8.7	—	—	—	—
5.4	3.0	5.1	3.9	0.3	–13.1	5.4	8.9	3.07	7.2	73⅜	4.71	15.6	3.2
27.6	36.4	12.1	19.3	12.7	17.0	10.3	18.6	5.78	2.8	23⅛	2.55	9.1	4.2
9.8	12.1	9.1	8.8	14.7	11.1	NC	16.0	5.84	4.9	30¾	4.12	7.5	4.9
11.7	18.4	13.1	12.0	20.1	13.9	76.3	17.0	5.22	4.4	15	1.89	7.9	4.3
7.0	6.5	3.7	0.6	–23.2	353.3	6.8	7.6	4.76	16.9	14¾	1.36	10.8	0.0
15.5	11.8	12.0	15.8	14.7	25.1	9.4	16.9	4.94	3.6	39½	5.39	7.3	3.4
10.6	8.9	6.8	7.2	–6.8	–17.3	2.4	11.4	4.12	5.1	27¾	3.10	9.0	6.8
9.4	5.5	10.6	7.5	0.1	0.7	10.7	15.0	4.48	3.7	23	2.93	7.8	4.3
6.0	–2.6	5.5	1.3	–9.2	–44.0	7.3	9.7	3.27	11.1	60¼	3.76	16.0	4.5

[1]Company not publicly traded; stock data not available [2]Bank only; not organized as a holding company P–D profit to deficit D–D deficit to deficit def deficit NC not comparable

1984 Annual Banking Survey

Rank	1983 size measures ($millions) Total assets	Total deposits	Total loans	Loan loss reserve % loans	Total investments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Noninterest revenues	Net income[2]	Company and headquarters
51	$6,417	$4,971	$3,317	1.3%	$1,481	$ 84	$447	20.2%	$526	$50	$47.4	First Natl State Bncp (NJ)
52	6,413	5,183	3,400	1.9	880	81	440	24.3	516	44	48.9	Midlantic Banks (NJ)
53	6,413	4,860	4,264	1.3	483	230	465	15.1	696	73	47.2	Rainier Bancorp (Wash)
54	6,072	4,515	2,817	1.3[4]	647	143	362	18.3	585	88	38.5	CBT (Conn)
55	6,062	4,907	3,289	1.0	1,089	150	389	6.3	608	64	18.5	BancOhio (Ohio)
56	5,807	4,599	3,199	1.2	920	220	343	12.5	552	54	34.6	Manufacturers Natl (Mich)
57	5,801	4,887	3,306	1.4	554	198	325	15.8	623	69	36.6	Bank of New England (Mass)
58	5,797	4,480	3,328	1.4[4]	985	96	629	0.0	574	62	51.1	AmeriTrust (Ohio)
59	5,762	3,703	3,259	1.7	415	66	457	32.3	546	85	52.3	First Atlanta (Ga)
60	5,755	4,299	3,225	1.4	814	111	397	26.6	586	83	32.9	Shawmut (Mass)
61	5,740	3,514	3,217	1.2	511	100	540	35.6	548	59	38.6	Maryland National (Md)
62	5,736	3,543	2,915	1.6	947	135	726	49.3	569	86	52.0	Fleet Financial (RI)
63	5,662	4,488	2,289	2.1[4]	359	217	371	26.8	525	72	46.8	Fidelcor (Pa)
64	5,508	4,124	2,875	1.5	885	194	476	27.1	525	58	41.5	Mercantile Bancorp (Mo)
65	5,426	4,047	2,780	1.1	781	105	352	19.1	558	44	24.5	Huntington Bancshs (Ohio)
66	5,415	4,004	3,751	1.1	753	233	398	17.5	563	75	51.5	United Virginia Bkshs (Va)
67	5,409	4,184	3,472	1.2	718	137	457	28.2	528	47	34.9	Texas American Bshs (Tex)
68	5,354	3,680	2,474	1.5[4]	918	208	387	23.3	495	60	20.8	Centerre Bancorp (Mo)
69	5,351	4,457	2,457	1.7[4]	1,596	88	575	18.2	472	34	58.3	Norstar Bancorp (NY)
70	5,152	3,780	2,927	1.9	839	57	520	41.5	541	50	−15.7	First Pennsylvania (Pa)
71	5,062	3,788	3,213	1.3	687	218	351	15.6	529	98	33.6	First Wisconsin (Wisc)
72	4,944	3,627	2,954	1.9	604	69	542	36.7	521	41	21.2	First Security (Utah)
73	4,850	3,536	2,459	2.3	843	61	368	10.9	545	78	73.0	Trust Co of Georgia (Ga)
74	4,766	3,882	1,641	1.8	1,612	99	213	0.0	385	34	23.4	Riggs National (DC)
75	4,676	3,516	2,449	1.2[4]	592	158	302	11.4	421	55	38.4	Hartford National (Conn)
76	4,639	3,921	2,488	0.9[4]	668	73	272	5.2	466	55	32.0	BayBanks (Mass)
77	4,617	3,564	2,292	2.0[4]	675	84	298	23.4	425	61	30.2	First Tennessee Natl (Tenn)
78	4,505	3,836	2,618	1.1	526	136	284	11.8	388	13	13.2	Bank of Tokyo Trust[5] (NY)
79	4,347	3,818	3,084	1.1	387	254	271	11.6	468	48	18.2	California First Bank[6] (Cal)
80	4,283	3,367	2,277	1.4	911	52	328	18.8	426	41	29.3	Society (Ohio)
81	4,179	3,066	2,362	1.2	502	122	308	27.4	423	44	26.0	Lincoln First Banks (NY)
82	4,109	3,497	2,395	1.2	1,013	64	291	32.1	433	41	26.1	First of America Bank (Mich)
83	4,044	2,485	1,321	2.0	763	74	323	25.4	443	116	38.5	State Street Boston (Mass)
84	3,868	3,041	2,303	1.2[4]	529	123	293	16.8	399	45	26.4	United Banks of Colo (Colo)
85	3,867	2,625	2,272	1.4	234	86	273	17.4	402	74	10.7	BanCal Tri-State (Cal)
86	3,850	2,916	2,222	1.1[4]	358	32	251	18.4	412	35	30.2	Bank of Virginia (Va)
87	3,826	2,753	2,160	1.3	704	91	231	13.7	375	39	24.5	Dominion Bankshares (Va)
88	3,766	2,980	2,071	1.3	478	99	225	5.8	340	34	16.7	Fidelity Union Bancorp (NJ)
89	3,728	3,090	2,265	1.4	973	68	312	18.2	398	30	32.3	Meridian Bancorp (Pa)
90	3,726	3,014	1,911	1.6	993	97	280	19.8	393	45	32.3	Third National (Tenn)
91	3,725	2,753	1,969	1.4[4]	571	146	239	2.8	334	21	31.4	American Security (DC)
92	3,706	3,167	1,754	1.4[4]	673	74	276	13.1	349	28	32.4	Old Kent Financial (Mich)
93	3,655	2,481	2,219	1.2[4]	429	97	284	22.2	387	48	19.2	First Maryland Bncp (Md)
94	3,637	2,811	2,005	1.5[4]	891	98	312	17.8	375	50	33.6	AmSouth Bancorp (Ala)
95	3,635	3,004	1,843	1.5	917	48	224	15.5	343	24	23.8	United Jersey Banks (NJ)
96	3,550	2,872	1,820	1.2	660	33	268	0.0	403	78	29.5	Florida Natl Banks (Fla)
97	3,505	2,528	1,491	1.5	562	61	234	18.9	265	26	25.4	Boatmen's Bancshares (Mo)
98	3,497	2,828	1,799	1.4	699	87	241	16.7	350	45	26.1	First American (Tenn)
99	3,492	2,872	1,850	1.3[4]	1,028	31	322	19.3	342	30	33.1	Key Banks (NY)
100	3,477	2,702	1,708	1.8	834	87	348	20.6	336	28	34.9	Commerce Bancshares (Mo)
				1.3				20.4				MEDIANS

[1]Four year average is a compounded annual rate 1979-83. [2]From continuing operations excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax equivalent basis as a percent of average earning assets. [4]Includes leases.

The 100 largest bank holding companies: a statistical profile

Growth measures[1]							Profitability and cost measures			Stock data			
Average assets		Equity per share		Earnings per share[2]		Dividend	Return	Net int	Overhead				
4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	on equity 4-yr avg	margin[3] 1983	times NI 1983	Recent price	1983 EPS[2]	P/E ratio	Current yield
16.5%	26.1%	5.1%	5.2%	14.6%	10.3%	4.7%	15.9%	4.91%	3.7	37½	$7.27	5.2	7.0
16.9	26.8	10.7	13.6	11.4	3.6	7.3	21.6	5.35	3.3	44½	8.02	5.5	4.5
7.8	5.0	8.8	8.5	4.5	18.9	10.3	13.3	5.52	5.1	37⅛	4.90	7.6	4.7
19.1	46.7	8.0	8.7	7.9	–17.0	9.5	16.1	4.67	5.2	29⅛	4.45	6.7	5.5
5.9	2.3	3.2	2.3	–14.3	–27.5	–7.1	6.0	4.35	11.2	29⅛	2.00	14.6	3.4
5.7	5.7	5.0	9.2	1.0	559.4	–9.6	7.2	3.83	4.5	34¼	6.66	5.1	4.7
16.4	16.6	10.9	9.9	10.1	–3.7	12.2	16.0	4.17	4.9	48	7.64	6.3	5.4
2.6	1.1	5.3	3.9	–3.0	–17.9	5.2	10.1	4.54	3.5	42½	5.49	7.7	6.8
13.9	25.8	12.8	13.9	26.8	2[illegible]	16.2	18.4	5.84	3.8	23⅛	2.97	7.8	3.3
8.5	6.4	8.2	7.6	14.6	–1.1	14.9	12.3	5.14	6.8	38	5.33	7.1	5.6
10.4	13.3	9.1	7.6	7.7	–8.2	12.6	14.1	5.55	4.9	32¼	4.69	7.0	4.2
11.9	17.6	11.8	13.4	15.2	9.9	11.2	18.1	4.68	3.1	46½	6.90	6.8	5.1
13.5	26.9	11.4	10.8	80.8	58.3	39.4	15.1	3.77	3.2	35⅞	8.66	4.1	6.1
7.4	0.5	8.7	6.1	5.2	–2.1	3.7	15.5	4.07	3.5	38¼	6.71	5.7	7.5
21.7	42.7	6.7	–5.3	–3.3	–36.1	12.5	13.8	4.46	6.9	29½	3.06	9.7	5.0
12.9	18.6	11.4	12.0	14.6	17.2	14.6	17.0	5.19	3.7	28⅛	4.23	6.6	5.1
15.3	10.8	10.7	7.6	5.8	–22.1	17.6	15.8	4.79	4.5	35⅞	3.66	9.8	4.2
7.2	–7.0	5.7	2.3	–8.1	–10.2	5.9	10.8	3.75	6.6	25	2.74	9.1	7.2
23.9	33.7	6.2	7.1	10.3	0.6	9.1	15.4	6.30	2.8	33⅞	4.78	7.1	6.5
–11.0	–1.5	–22.4	–30.8	P–D	D–D	–100.0	–15.6	2.60	—	6⅛	–1.10	def	0.0
0.4	1.0	8.0	9.0	9.3	9.9	4.1	13.6	4.24	5.2	20¼	3.78	5.5	5.3
9.1	12.0	9.3	2.6	–12.4	–60.4	6.3	14.2	4.41	8.0	22⅛	1.75	12.6	5.0
13.2	16.1	17.7	20.3	25.6	28.8	20.0	24.5	6.87	2.8	27⅛	3.04	8.9	2.9
13.2	11.2	7.3	6.3	1.8	15.0	6.5	12.8	3.80	4.1	33	3.90	8.5	5.5
6.0	14.7	9.4	9.3	19.6	29.0	12.1	15.8	5.60	4.2	22⅛	3.83	5.8	6.7
11.4	18.3	9.8	7.7	8.2	–4.7	12.9	15.1	5.49	5.8	36⅛	5.09	7.1	6.0
15.0	27.0	8.7	8.0	7.5	2.2	16.7	15.1	5.23	5.2	23	3.31	6.9	6.1
10.8	2.0	9.2	5.6	–0.7	40.0	—	5.4	C	2.9	—	—	—	—
8.5	5.9	1.2	–0.5	–14.5	61.8	2.3	9.1	4.83	8.5	16	1.78	9.0	6.8
8.9	–1.4	7.9	7.4	3.3	8.6	7.5	11.7	4.17	4.3	29¼	4.53	6.5	5.8
6.5	9.9	6.0	8.3	10.0	6.5	0.8	12.6	4.59	5.8	64¼	7.04	9.1	3.1
23.8	5.4	8.3	11.1	8.0	26.2	6.9	13.7	4.65	5.7	30⅜	5.21	5.8	5.0
14.6	12.5	17.3	14.2	27.2	–24.3	20.0	20.6	4.84	4.6	32½	4.45	7.3	2.9
12.6	9.1	9.3	7.0	0.2	9.6	6.5	13.3	5.79	5.5	18¼	2.40	7.6	5.5
3.8	–5.6	4.9	11.2	–16.0	17.3	8.4	6.3	3.54	12.0	48⅛	2.10	22.9	2.5
11.9	14.0	6.0	10.7	14.3	32.6	6.4	12.2	4.86	3.7	35¼	5.00	7.1	4.3
9.8	11.1	7.3	8.0	2.2	39.7	4.3	12.8	4.45	4.8	20⅜	2.50	8.2	5.3
12.7	11.0	2.6	4.8	–7.1	494.6	0.9	8.5	4.61	7.4	47½	4.40	10.8	5.9
9.6	14.9	8.4	7.4	7.5	0.2	NC	14.7	4.78	3.7	30½	4.72	6.5	7.2
10.0	17.9	10.4	11.6	15.1	18.6	17.1	14.4	5.04	3.7	36½	5.73	6.4	4.4
12.5	10.4	9.8	9.4	9.4	7.4	6.8	15.3	4.22	2.3	30¼	4.22	7.3	4.9
17.9	42.5	10.0	11.9	9.4	25.3	5.1	15.1	4.38	2.8	21¼	3.81	5.7	5.1
14.8	12.5	8.3	6.7	–0.6	–18.9	8.2	14.3	4.46	7.2	22⅞	3.65	6.3	6.6
8.3	12.4	9.2	8.9	7.2	7.5	8.7	14.8	5.19	3.9	22½	3.02	7.5	5.7
9.2	18.8	7.5	7.7	11.1	15.1	5.3	13.7	4.82	4.9	29⅛	3.65	8.0	4.8
13.8	17.5	8.2	11.2	13.0	53.9	12.2	9.4	5.67	5.7	40	3.51	11.4	2.4
14.1	18.9	10.6	9.5	12.4	4.2	8.3	16.9	4.54	2.9	28	3.74	7.5	4.8
11.2	14.5	8.7	9.6	12.8	20.0	15.1	13.3	4.59	4.4	19½	2.82	6.9	5.1
13.6	23.1	3.0	9.6	8.6	20.3	4.5	13.5	6.17	3.9	27⅛	4.21	6.6	5.9
7.7	5.7	6.5	10.1	8.6	3.5	6.4	11.7	5.56	3.1	45	6.59	6.8	4.3
11.3	10.5	8.7	8.0	8.4	9.9	9.0	14.3	4.45	4.4			7.1	5.3

[1]Company not publicly traded; stock data not available [2]Bank only, not organized as a holding company P–D: profit to deficit D–D: deficit to deficit def: deficit NC: not comparable

The 50 largest trust operations

These trust departments have assets of $522 billion, up 17.6% from last year, while the Wilshire index gained 19%. Bankers Trust ranks first, helped by the growth of its indexed funds business.

1983 rank	Company	Market value of trust assets[1] 1983 (millions)	% increase over 1982	—Trust department revenues— total (thousands)	% change from 1982	% of operating revenues
1	Bankers Trust	$37,602	50.2%	$117,531	29.8%	3.0%
2	JP Morgan	37,543	–4.0	218,200	15.1	3.8
3	Citicorp	35,991	21.3	139,797	5.4	0.8
4	Manufacturers Hanover	27,412	27.0	91,689	21.1	1.4
5	Mellon National	27,250	110.4	73,831	101.5	2.9
6	PNC Financial	24,009	9.6	65,875	6.1	5.4
7	Chase Manhattan	17,842	19.3	119,589	15.9	1.4
8	Chemical New York	15,505	19.3	75,251	11.8	1.5
9	Wells Fargo	14,493	21.9	56,379	23.5	1.9
10	Harris Bankcorp	14,312	11.3	50,066	18.8	6.4
11	Northern Trust	13,563	17.6	88,800	22.2	13.1
12	Wilmington Trust	12,004	14.5	19,381	30.1	10.5
13	First Interstate Bancorp	11,855	47.6	67,710	20.6	1.6
14	Crocker National	11,165	24.3	48,855	18.8	1.9
15	US Trust	10,156	8.4	73,546	4.8	31.2
16	State Street Boston	9,645	8.9	76,374	31.0	17.2
17	InterFirst	9,616	13.1	46,700	37.0	2.2
18	Continental Illinois	9,514	–17.7	62,369	3.2	1.4
19	First Chicago	8,993	20.1	53,941	13.4	1.5
20	First Bank System	8,860	–4.3	50,654	20.9	2.6
21	BankAmerica	8,687	–2.0	88,371	25.4	0.7
22	First City Bancorp	8,635	67.7	27,541	24.4	1.7
23	Fiduciary Trust Co NY	8,598	14.8	27,258	28.5	72.8
24	AmeriTrust	8,004	14.7	35,244	14.0	6.1
25	Bank of New York	7,376	2.0	144,903	21.7	10.8
26	Bank of New England	6,854	22.8	32,118	20.1	5.2
27	NBD Bancorp	6,681	–0.9	32,033	12.1	2.8
28	Bank of Boston	6,655	–0.2	59,470	14.6	2.3
29	American Natl (Chicago)	6,591	26.5	14,447	13.5	5.1
30	Centerre Bancorp	6,504	3.4	28,430	13.1	5.7
31	RepublicBank	6,269	4.6	38,333	19.4	2.2
32	Norwest	6,241	7.4	39,954	14.9	1.7
33	National City Corp	6,145	14.6	27,934	38.9	4.3
34	Texas Commerce Bshs	5,200	14.2	28,000	25.7	1.7
35	Irving Bank[2]	4,967	—	38,587	27.9	2.1
36	Trust Co of Georgia	4,909	24.7	24,020	18.0	4.4
37	Boatmen's Bancshares	4,881	12.4	9,432	12.1	3.6
38	Manufacturers National	4,809	19.8	16,735	22.6	3.0
39	Comerica	4,455	8.4	24,897	14.5	3.2
40	Mercantile Bancorp	4,140	14.9	15,736	14.3	3.0
41	Wachovia	4,121	10.6	29,965	16.9	3.8
42	First Wisconsin	4,111	4.2	21,058	23.7	4.0
43	NCNB	4,033	–4.8	27,108	40.9	2.2
44	Hartford National	3,949	–5.7	23,894	5.7	5.7
45	CoreStates Financial	3,946	53.9	13,472	63.6	1.5
46	Security Pacific	3,904	16.3	57,044	19.9	1.3
47	First Pennsylvania	3,774	10.0	19,390	6.2	3.6
48	Marine Midland	3,675	9.0	25,758	11.9	1.2
49	AmSouth Bancorp	3,400	26.3	12,907	17.4	3.4
50	CBT	3,295	17.2	19,908	36.9	3.4

[1]Accounts over which the bank exercises investment discretion. [2]As of 12/31/82, latest available.

ing importance of fees may soon make it essential to examine noninterest income as well.

Miami's Southeast Banking Corp. decided a few years ago to unbundle its services and peg fees at a level that would produce a profit. "Clearly, prices charged for each service must properly reflect the cost to the corporation as well as the value to the customer," its 1984 annual report explains. The result, says James Vardon, the bank's executive vice president and chief financial officer: "We are establishing a meter for each transaction with any given customer," rather than relying on a running estimate of incurred costs to be covered by the compensating balance.

Not surprisingly, profits came rolling in. Income from charges on deposit accounts rose 46% last year to $21.5 million. Other fee-related income, including everything from credit life insurance premiums to stop-payment orders on checking accounts, rose 32%, to $9 million. Noninterest income in all came to over $90 million.

That is still less than 30% of the $315 million Southeast earned in net interest income as the spread between the money it lent and the money it borrowed. But the trend is what is important. Noninterest income now covers 30% of operating expenses, and James Vardon expects that figure to increase to 50% over the next three to five years. About one-quarter of Southeast's noninterest income comes from credit card operations, annual card fees and merchants' charges. Some other major components of income include monthly deposit maintenance fees, trust management fees and discount brokerage commissions. Similar relationships should prevail at other big, retail-oriented banks.

At money center banks, the money comes from different sources (like fees for standby letters of credit or trust mortgage service), but the trend is similar. Manufacturers Hanover Corp., the nation's fourth-largest bank, took in $619 million in noninterest income last year, almost 40% of its $1.6 billion in net interest income. Chairman John McGillicuddy cites a key statistic: The bank's noninterest income has increased by a factor of 3 since 1978.

Don't get the wrong idea. Banks will always be borrowers and lenders of funds. And they will probably always make most of their money that way. But part of 1983's good news was that fee income rose so substantially at a time when many other trends were negative. ■

1984 Annual Banking Survey

Despite the regulatory changes, attracting deposits remains the key to running a savings and loan. But these days the search is nationwide and even international.

A thrift is still a thrift

By Jinny St. Goar

EVERYONE THOUGHT that differences between savings institutions and commercial banks would disapppear with passage of the Garn-St Germain Depository Institutions Act of 1982. But nothing changes that fast. Savings institutions still largely finance real estate transactions; banks remain committed to commercial lending.

To make money in the mortgage business today, however, thrift institutions must scramble to get deposits. Not too long ago they were able to pay interest rates of 0.25% more than commercial banks, an advantage that helped them attract billions of dollars' worth of passbook and certificate savings.

Now it takes ingenuity to get money. Consider, for example, Standard Federal Savings & Loan Association of Michigan, which has teamed up with the omnipresent K mart. The retailer's Florida insurance centers will open accounts for the thrift.

The 25 largest savings and loan associations: a statistical profile

These thrift institutions have total assets of $198 billion, up 29% over the past 12 months. Profitability is improving, too: Only 5 firms are in the red this year. In 1982 the number was 19. Meanwhile, Financial Corp. of America acquired First Charter Financial and zipped from eighth to first in asset rankings.

	1983 size measures ($millions)							
Rank	Total assets	Savings deposits	Loans receivable	Investment securities	Advances from FHLB	Total revenues	Net income	Company (state)
1	$22,700	$18,262	$18,965	$ 182	$ 971	$1,827	$172.5	Financial Corp of America (Cal)
2	20,226	15,574	15,402	2,726	1,054	2,213	107.9	HF Ahmanson & Co (Cal)
3	18,639	13,516	14,167	2,105	1,973	1,991	73.7	Great Western Financial (Cal)
4	14,329	11,116	11,297	1,317	1,099	1,548	80.5	CalFed (Cal)
5	8,771	7,197	5,845	1,495	683	976	26.9	Glendale Federal S&L (Cal)
6	8,495	5,849	7,075	676	1,574	909	31.0	First Nationwide Financial (Cal)
7	8,186	5,767	6,715	831	669	922	77.4	Golden West Financial (Cal)
8	7,971	4,580	5,749	1,757	1,857	755	31.6	First Federal of Michigan (Mich)
9	6,984	5,873	4,757	584	536	776	52.0	Empire of America[2] (NY)
10	6,803	5,090	5,375	643	702	773	37.0	Home Federal S&L (Cal)
11	6,795	4,908	5,491	478	696	698	43.9	City Federal Savings & Loan (NJ)
12	6,304	5,770	4,173	65	25	699	2.2	Talman Home Federal S&L[2] (Ill)
13	6,110	4,403	4,935	751	1,189	586	–34.9	Imperial Corp of Amer (Cal)
14	6,047	3,692	4,874	631	984	640	32.6	Gibraltar Financial (Cal)
15	5,097	3,801	4,298	429	531	532	23.3	Sears Savings Bank[4] (Cal)
16	5,013	4,111	3,728	577	440	536	2.2	Coast Federal Savings & Loan[2] (Cal)
17	4,990	2,366	1,768	2,027	561	287	39.9	Columbia Savings & Loan (Cal)
18	4,897	3,559	4,039	318	579	550	28.4	Great American Fedl Savings Bk (Cal)
19	4,826	4,000	3,066	1,133	347	449	55.7	Standard Federal S&L[2] (Mich)
20	4,267	3,497	3,062	270	369	476	34.8	Carteret Savings & Loan (NJ)
21	4,246	3,107	3,819	248	394	479	–0.3	AmeriFirst Federal S&L[2] (Fla)
22	4,109	2,766	2,147	715	849	471[3]	–41.1[3]	First Federal S&L Rochester[2] (NY)
23	4,007	2,923	2,772	821	306	378	–14.0	Twin City Federal S&L[2] (Minn)
24	3,997	3,045	1,604	184	560	535	–34.8	First Federal S&L Chicago[2,3] (Ill)
25	3,926	2,850	2,616	977	462	501	53.5	Gibraltar Savings Assoc (Tex)

[1]Four-year average is a compounded annual rate 1979-83 the period ending in June [2]Mutual savings and loan association [3]Based on data from the Federal Home Loan Bank; figures are derived for

Leaders and laggards

While 1983 was a tough year for the nation's banks, the top 25 thrifts continued their earnings rebound. Spreads for these firms almost doubled, and deposits grew even faster than last year. Using stockbrokers to sell CDs helped Columbia Savings & Loan post spectacular growth. Financial Corp. scored well because of a big takeover, but a merger through pooling held down growth comparisons at Great Western Financial.

	Industry median	Highest		Lowest	
Asset growth[1]	**17.4%**	**Columbia Savings & Loan**	**132.0%**	**Great Western Financial**	**8.2%**
Deposit growth[1]	**17.0**	**Financial Corp of America**	**117.9**	**Gibraltar Financial**	**3.6**
Earnings growth	**4.5**	**Columbia Savings & Loan**	**220.7**	**Imperial Corp of America**	**P–D**
Primary spread[2]	**1.43**	**Financial Corp of America**	**2.44**	**AmeriFirst Federal S&L**	**0.51**

[1]Compound annual rate 1979-83. [2]The spread betweeen the yield on earning assets and the cost of funds. P–D: Profit to deficit.

How? Customers simply give a K mart employee the necessary papers, which are sent to Michigan.

When it comes to getting big bucks from sophisticated depositors, however, no organization even comes close to Financial Corp. of America. This controversial thrift is the nation's largest, with assets of $22.7 billion. It also tops nearly every industry performance yardstick.

The man behind it all is 49-year-old Charles Knapp. He is a hyperactive chief executive whose strategy is to turn over money as fast as possible, making a little profit on each transaction. As a result FCA projects it will originate or buy in the secondary market this year up to $18 billion worth of mortgages—13% of last year's record $137 billion for the entire thrift industry.

But Knapp doesn't worry about the burden of all these long-term loans. As quickly as possible, FCA resells its mortgages. The buyers: government agencies or public investors, who find

Assets		Growth measures[4]						Dec. 31, 1983		
		Deposits		Revenues		Net income				
4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	1983 vs 1982	4-year average	1983 vs 1982	Yield on earning assets	Cost of funds	Spread
108.9%	244.4%	117.9%	272.4%	100.1%	135.7%	105.6%	530.6%	12.70%	10.26%	2.44%
13.6	19.9	13.5	27.1	16.3	9.9	–2.0	D–P	11.39	9.58	1.81
8.2	20.0	5.7	13.5	12.0	16.2	–13.6	D–P	11.71	9.90	1.81
23.5	38.2	25.0	45.6	28.5	34.2	19.0	1,589.2	12.30	9.96	2.34
18.6	11.1	19.5	20.8	25.6	18.7	–8.8	D–P	11.95	9.94	2.01
32.1	16.8	28.5	31.3	37.2	5.9	5.3	350.0	11.43	9.78	1.65
20.4	12.6	19.4	19.3	26.1	15.3	20.7	D–P	11.94	9.92	2.02
25.0	53.1	13.4	39.6	28.2	66.0	13.8	D–P	11.12	10.29	0.83
35.4	19.0	33.1	25.6	47.8	78.0	71.8	D–P	10.57	9.60	0.97
15.6	11.4	17.0	12.8	20.1	10.3	–3.3	D–P	12.15	10.31	1.84
37.0	49.2	37.5	45.0	44.2	25.6	64.1	233.0	12.31	9.91	2.40
27.3[3]	–2.1	33.3[3]	14.7	NA	–8.2	NA	D–P	10.93	9.50	1.43
12.6	15.9	10.8	15.6	14.0	6.7	P–D	D–D	11.05	10.36	0.69
10.6	24.8	3.6	25.7	15.3	17.1	2.4	D–P	11.41	10.07	1.34
16.1	44.7	15.7	51.1	21.7	51.2	4.2	D–P	11.11	9.98	1.13
15.9	8.4	19.4	18.7	21.1	13.7	–43.1	–82.0	11.41	9.88	1.53
132.0	386.1	103.5	298.7	105.0	173.9	220.7	184.1	11.67	10.52	1.15
17.4	12.1	15.2	20.3	22.0	14.6	4.8	D–P	11.83	10.16	1.67
13.9	27.8	12.7	21.8	16.5	23.6	35.0	D–P	10.59	9.48	1.11
35.4	27.7	34.3	28.2	47.5	90.4	66.1	D–P	12.10	10.73	1.37
12.7	9.2	10.9	16.8	22.7	–3.7	P–D	D–D	11.20[5]	10.69[5]	0.51[5]
35.9	1.9	32.0	3.1	49.2[3]	52.8[3]	P–D	D–D[3]	NA	NA	NA
14.8	27.8	12.9	25.0	16.8	6.5	P–D	P–D	10.59	9.88	0.71
11.2	–1.2	10.1	–5.8	24.5	46.6	P–D	D–D	NA	NA	NA
10.2	4.7	9.9	4.6	23.1	22.1	15.4	D–P	11.84	11.02	0.82

[4] Subsidiary of Sears, Roebuck. [5]At Sept. 30, 1983. NA: not available. D–P: deficit to profit. P–D: profit to deficit. D–D: deficit to deficit.

KBW

Keefe Bank Watch Service©

is pleased to offer

KEEFE THRIFT WATCH©

A new credit rating and consulting service which will rate the major savings and loan associations and savings banks in the nation.

This subscription service complements the *Keefe Domestic Bank Watch* which monitors and provides ratings on 1,400 U.S. banks and bank holding companies, and the *Keefe International Bank Watch* which analyzes and rates 90 foreign banking institutions in 15 countries.

For additional information on subscriptions, please contact:

Ched McConnell, Senior Vice President

(212) 349-4321 (Ext. 231) • (800) 221-3246

KEEFE, BRUYETTE & WOODS, INC.

The Banking Industry Specialists

NEW YORK HARTFORD SAN FRANCISCO

April 1, 1984

Your legacy: A 40-acre ranch and a way of life

As big as all outdoors, Forbes Magazine is now offering substantial land for skiers, hunters, naturalists and lovers of America's magnificent Old West.

For the pleasure of you and your family today, these ranches, adjacent to the Forbes Trinchera Ranch in Southern Colorado, will be an important legacy in the future of your loved ones.

Minimum-size family ranches are 40 acres, and vary up to 74 acres, with prices starting at $30,000.

For details and our color brochure write or phone:

Mr. Errol Ryland, Manager

FORBES WAGON CREEK RANCH

Box 303 K K. Fort Garland, Colorado 81133 • (303) 379-3263

This is not an offer to sell in states where not registered

the juicy yields of securities that are collateralized by mortgages increasingly attractive.

To keep the money rolling, FCA has 650 high-pressure salesmen who work the telephones. Of these, 350 typically peddle pools of mortgages to institutional clients; 300 are assigned to sell FSLIC-insured savings certificates to retail customers. These come in denominations as low as $500.

Knapp's marketers bring in a whopping $1 billion a month. They roll over FCA's debt as it comes due and add to the company's pool of funds as well. But to grow even faster, Knapp has decided to tap foreign markets. FCA now has an office in London, and soon it will also be in Switzerland and in Asia, too.

Knapp is aiming for large deposits from overseas institutional investors. But if an Englishman wants to make a "small" deposit of $100,000 or less

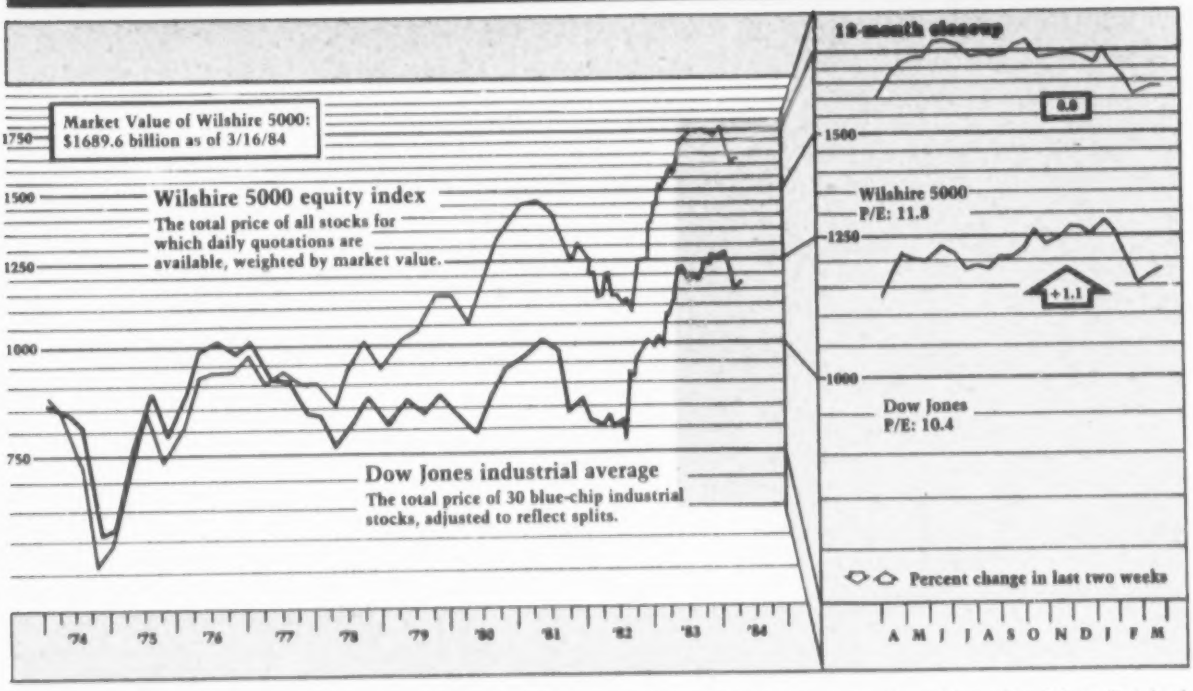
To grow even faster, Knapp has decided to tap foreign markets. FCA now has an office in London, and soon the firm will also be in Switzerland and Asia.

and benefit from FSLIC insurance, Knapp will take that money, too. Such certificate purchases, however, must be wired to Los Angeles from the representative's office. FCA's offshore operations are not branches and are not covered by FSLIC.

Borrowing abroad is possible, too. Great Western Financial started that trend last year. It has sold two issues in Europe so far, both on its own credit. Knapp was quick to follow suit. An FCA subsidiary is selling a $125 million, five-year, 12% Eurobond. However, this issue is collateralized by 150% face value of GNMA mortgage passthrough certificates and is rated triple-A by Moody's and Standard & Poor's. These bonds are attractive to anyone outside the U.S. who wants to hold dollars and likes government-backed interest-bearing securities—potentially a huge offshore market.

Innovation like this is increasingly important in the thrift business. Companies that aren't innovative enough to attract deposits may attract takeover offers instead. But there is also a risk in being aggressive. Institutions that expand quickly must be nimble lest they pay too much for their funds and are unable to lend them out prudently—an alternative that may be even less desirable. ■

The Forbes/Wilshire 5000 Review



Good-bye to winter. Few investors will miss the cold, the ice and the depressed stock market of the last several months. With spring in the air, the weather should improve. But do balmier days mean better portfolio performance?

Perhaps. Despite concerns over budget deficits, interest rates and the strength of the dollar, the market is showing some signs of life. Blue chip issues—typical leaders in a rebound—paced the averages during the last two weeks. The Dow industrials gained 1.1%, while the average Big Board stock, as measured by the NYSE, was up a more modest 0.1%. Amex and NASDAQ indexes, meanwhile, registered slight losses. The broad-based Wilshire finished the period virtually unchanged.

The yardsticks below indicate that over the last month conservative issues fared somewhat less well than growth-oriented issues. High volatility shares, for example, gained 3.7%, vs. 2.2% for low volatility shares. While the Dow sports a gain of 3.1%, once again the Amex did better. It is up 3.3%. The NASDAQ, in contrast, added only 0.8%. Investors are dabbling in more than just blue chips, but they are staying clear of the market's more volatile areas.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.2	2.0	3.1	2.4	3.3	0.8
in last 52 weeks	4.4	5.2	6.0	6.2	11.5	–4.4

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	2.5	3.0	3.7	2.2	3.2	1.4	0.5	2.8	3.7	1.9	1.5	4.2
in last 52 weeks	5.8	28.4	17.1	16.4	4.1	20.1	15.1	18.7	17.9	16.6	9.6	20.8

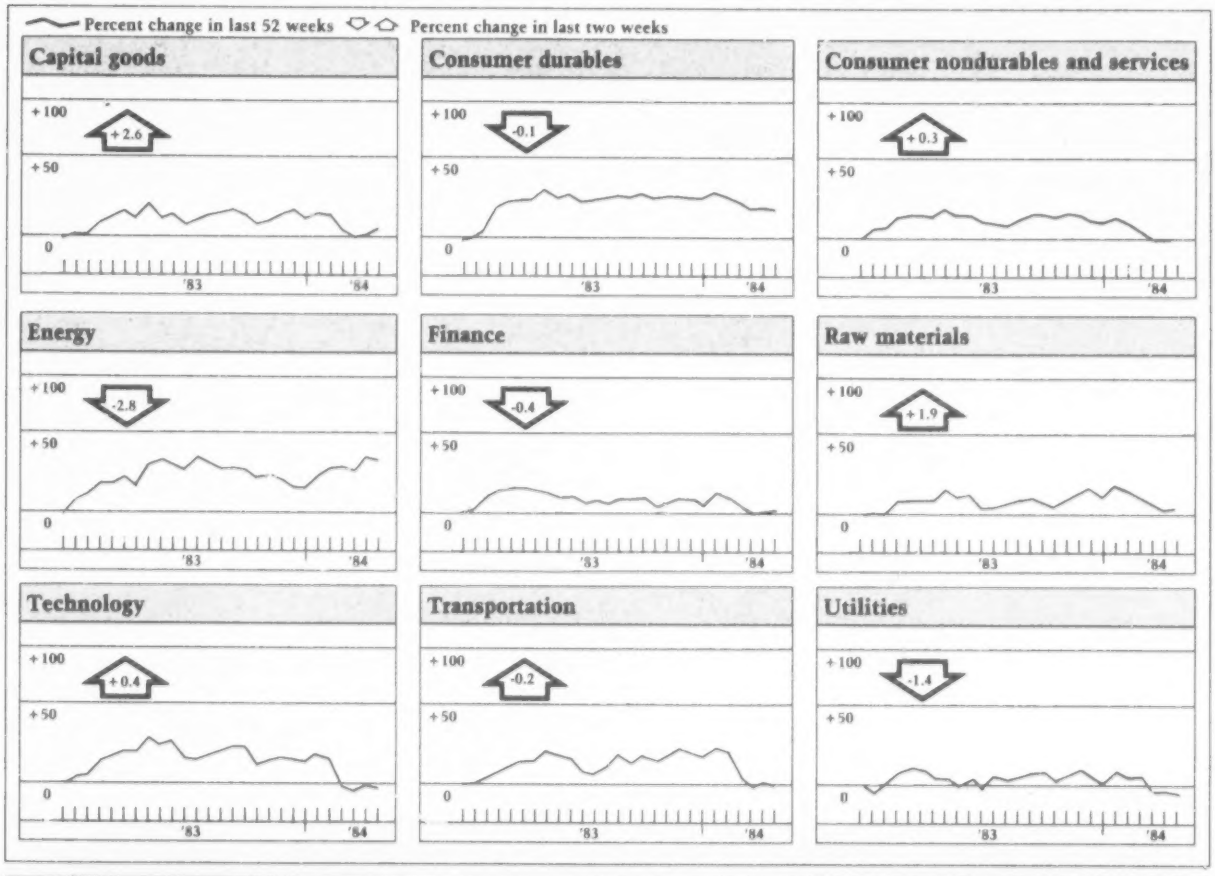
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 3/16/84. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

Climbing an icy hill. During the last two weeks, four of the Wilshire sectors gained ground, while five registered declines. The result, as measured by the more than 5,000 issues of the Wilshire index, was a washout. The capital goods sector, spurred by increasing orders for machine tools, shows the biggest gain, with a 2.6% rise. Raw materials rose 1.9%; technology and consumer nondurables registered smaller gains.

Energy stocks suffered the biggest loss, a 2.8% decline. Part of the reason: Texaco's plan to buy back its shares from the Bass brothers dampened speculation that the big oil company might be swallowed up in a blockbuster merger. The utility sector was also weak, off 1.4%, with a number of power companies hitting 52-week lows.



What The Analysts Think

What a way to come in first. Of the nine Wilshire sectors the utility group shows the best two-week change in estimates. But this is hardly good news. The average estimate for firms in this industry merely remained unchanged, while analysts scaled back their projections for the other eight groups.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.75	11.8
1984 estimates	4.27	8.0
1985 estimates	5.32	6.5

Rank based on change in estimate	Sector	Estimated 1984 EPS	% change in 1984 estimate in 2 weeks	in 4 weeks
1	Utilities	$3.61	0.00%	–0.09%
2	Technology	1.96	–0.20	–0.71
3	Raw materials	3.28	–0.39	–0.68
4	Consumer durables	3.18	–0.74	0.20
5	Consumer nondurables	2.74	–0.82	–1.19
6	Finance	4.06	–0.84	–1.48
7	Capital goods	2.39	–1.00	–1.90
8	Energy	2.86	–1.01	–2.02
9	Transportation	3.02	–1.29	–2.94

Earnings projections are equal-weighted consensus estimates from over 1,800 security analysts. Forecasts for the 9 Wilshire sectors are limited to firms with 3 or more estimates with a mean estimate greater than $0.50. Data are compiled and updated weekly by Zacks Investment Research, a Chicago-based quantitative consulting firm.

Note: All data for periods ending 3/16/84. Prepared by Wilshire Associates, Santa Monica, Calif.; Zacks Investment Research, Inc., Chicago, Ill.

Leave it to Wall Street analysts to debate whether we are in a bull market or a bear market. It is still open season for those stocks with low price/earnings multiples.

A forest rich with game

By Leslie Pittel

ONLY RECENTLY Wall Street seemed bereft of bargains. The Dow industrials peaked in January—up 66% in just 17 months—and cautious investors worried that even unpopular stocks might be overpriced.

Forget all that now. The broad-based Wilshire index hit its high last June, seven months before the Dow. Since then, the Wilshire is off 13%. But corporate earnings are surprisingly robust. That means the woods are full of low-P/E stocks.

To do some bargain hunting, we asked the computers at Wilshire Associates to find those shares with the lowest price/earnings ratios based on latest 12-month earnings. We then went to Lynch, Jones & Ryan's Institutional Brokers Estimate System to see what Wall Street analysts expect these companies to earn in fiscal 1984. The result: 89 stocks in the table that begins below, all with current P/Es below 7.8 and most selling even more cheaply based on future earnings projections.

What makes these shares appealing? It's simple: Buy a stock when nobody else wants it and wait for the "inevitable" turnaround or return to fashion. In a nutshell, that's the stock selection strategy of the late Benjamin Graham—an idea that's made many patient investors rich.

But comebacks don't happen over-

Hunting grounds for low-P/E investors

These 89 issues have an average price/earnings ratio of 6.5 based on current earnings and 6.1 based on fiscal 1984 estimates. Patient investors may bag handsome gains if profit projections are on the mark. But if securities analysts are wrong and earnings decline, these shares could disappear into the jungle.

Company/*business*	P/E latest 12 months	P/E 1984 estimate	EPS latest 12 months	EPS 1984 estimate	Stock price recent	Stock price 52-week high	Stock price 52-week low	Dividend	Yield
Jet America Airlines/*airline*	2.6	9.8	$1.88	$0.50	4⅞	7⅛	2⅞	—	—
Ford Motor/*auto*	3.6	3.1	10.29	12.12	37⅜	46¾	25⅛	$1.20	3.2%
Finalco Group/*leasing computer equip*	4.1	9.0	1.09	0.50	4½	12½	3¾	0.05	1.1
Atwood Oceanics/*oilfield services*	4.2	15.1	4.31	1.21	18¼	26	16¼	—	—
Grolier/*publishing*	4.4	10.7	1.02	0.42	4½	8⅜	3⅜	—	—
Coleco/*toys, computers*	4.4	4.5	2.68	2.64	11⅞	65	10⅛	—	—
Godfrey/*food wholesaler, retailer*	4.6	10.2	2.80	1.25	12¾	15⅜	10½	0.72	5.6
Sunstar Foods/*food processing*	4.8	4.3	1.07	1.20	5⅛	7¾	4⅜	—	—
Charter Co/*multicompany*	4.8	13.5	2.11	0.75	10⅛	13¾	8	1.00	9.9
Dynascan/*electronics*	4.9	5.0	2.00	1.95	9¾	37⅜	8¼	—	—
La Land Offshore Expl/*oil and gas*	4.9	9.2	1.50	0.80	7⅜	11½	5¾	—	—
Monfort of Colorado/*food processing*	5.0	4.6	3.15	3.40	15⅝	21⅛	13½	—	—
Savannah Foods & Ind/*food processing*	5.2	8.5	7.38	4.52	38¼	42¾	22	1.60	4.2
Dibrell Bros/*tobacco, restaurants*	5.3	5.7	3.42	3.20	18¼	27¼	16	0.80	4.4
Nutri/System/*weight-loss control centers*	5.5	4.7	1.42	1.65	7¾	32⅛	7¾	0.32	4.1

Sources: Wilshire Associates, Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, Forbes

Statistical Spotlight

night. And every low P/E isn't a flashing buy signal. Sometimes Wall Street makes a stock cheap because things are going to get worse. That happened with Valero Energy and Arundel. These companies both dropped off our list at the last minute because sharply lower quarterly earnings came out and earnings multiples ballooned.

That's why it is important to look at the second column in our table. It indicates how a stock's current price relates to analysts' best-guess estimates of future earnings. For 26 of the companies in our table the professionals expect that 1984 earnings will be below the figures for the latest 12 months. Jet America Airlines, for example, earned $1.88 over the last four quarters. But earnings are expected to drop to 50 cents in 1984.

As the first column of figures indicates, the airline sports a present P/E of 2.6. But the P/E jumps to 9.8 based on the 1984 estimate. Finalco Group, Atwood Oceanics and Grolier are among companies in a similar bind.

Hunting grounds for low-P/E investors

Company/*business*	P/E latest 12 months	P/E 1984 estimate	EPS latest 12 months	EPS 1984 estimate	Stock price recent	Stock price 52-week high	Stock price 52-week low	Dividend	Yield
Standard Commercial Tobacco/*tobacco*	5.7	4.2	$ 2.96	$4.00	16¾	27	16¾	$0.11	0.7%
General Motors/*auto*	5.8	4.1	11.48	16.06	66½	80½	56	2.80	4.2
Tesoro Petroleum/*integrated oil*	5.8	6.6	2.68	2.35	15⅝	17¼	13⅜	0.40	2.6
Grumman/*aerospace*	6.0	5.8	3.82	3.95	22¾	33⅜	22¾	0.90	4.0
W Bell/*specialty retail*	6.1	5.9	1.32	1.35	8	14¾	8	0.02	0.3
Shapell Inds/*building materials*	6.1	5.0	7.40	9.14	45¼	53¾	42½	—	—
Kaneb Services/*oilfield services, coal*	6.1	7.3	2.30	1.94	14⅛	21⅛	13½	1.04	7.4
Swift Independent/*food processing*	6.2	5.3	4.42	5.18	27¼	37¾	26⅝	1.20	4.4
Mor-Flo Inds/*building materials*	6.3	5.9	2.30	2.42	14⅜	25¼	11	0.01	0.1
Murray Ohio Mfg/*bicycles*	6.3	6.5	3.53	3.43	22⅛	30¼	20⅜	1.20	5.4
Adolph Coors/*brewing*	6.3	6.1	2.55	2.62	16	29⅛	14½	0.40	2.5
Shaklee/*food processing*	6.3	7.0	2.62	2.37	16½	42¼	15¼	0.72	4.4
Sedco/*oilfield services*	6.3	7.3	6.02	5.20	38	48½	26¼	0.58	1.5
Lynden/*trucking*	6.3	5.1	3.71	4.63	23½	30	23¼	—	—
AMR/*airline*	6.3	6.1	4.79	4.98	30⅜	41¼	23⅜	—	—
Ladd Furniture/*home furnishings*	6.4	5.1	2.04	2.56	13	17⅜	12½	0.23	1.8
Nynex/*telephone utility*	6.4	6.5	9.54*	9.51	61⅜	66¾†	60†	6.00	9.8
Big Bear/*grocery stores, retail*	6.4	6.0	1.63	1.75	10½	15	10½	—	—
Manville/*building materials*	6.5	3.4	1.76‡	3.35	11⅜	16⅝	9⅞	—	—
Haverty Furniture/*retail*	6.5	5.6	1.92	2.24	12½	21⅜	10⅛	0.48	3.8
US West/*telephone utility*	6.6	6.6	8.96*	8.86	58¾	65⅛†	55⅛†	5.40	9.2
Todd Shipyards/*maritime*	6.6	5.5	4.65	5.57	30½	41¾	28¼	1.32	4.3
Genesee Brewing/*brewing*	6.6	5.8	5.20	5.90	34½	40½	27	1.00	2.9
International Multifoods/*food processing*	6.6	6.2	4.23	4.55	28⅛	36⅜	27½	1.76	6.3
Exxon/*integrated oil*	6.7	6.5	5.79	5.95	38⅜	40	29½	3.20	8.3
Southwestern Bell/*telephone utility*	6.7	6.8	8.93*	8.72	59⅜	66†	58⅛†	5.60	9.4
Radice/*construction*	6.8	5.6	1.10	1.35	7½	13½	5½	—	—
Rohr Industries/*aerospace*	6.8	6.6	4.32	4.46	29⅜	37⅜	19⅝	—	—
Pacific Telesis Gr/*telephone utility*	6.8	7.0	8.00*	7.81	54⅜	62¾†	51¼†	5.40	9.9
Kellwood/*apparel*	6.9	5.8	4.00	4.80	27¾	43¼	21⅜	1.00	3.6
Gap Stores/*retail*	6.9	5.8	2.59	3.08	17¾	48	17⅞	0.50	2.8
Blount Cl B/*construction*	6.9	4.2	1.69	2.75	11⅝	19⅝	11	0.36	3.1
Coachmen Inds/*manufactured housing*	6.9	5.4	2.78	3.57	19⅛	39⅝	15⅝	0.40	2.1
Bell & Howell/*precision instruments*	6.9	8.2	2.96	2.48	20⅜	29¼	18	0.50	2.5
Armstrong Rubber/*tire and rubber*	7.0	6.5	2.39	2.57	16⅜	22⅛	15	0.48	2.9
Cooper Tire & Rubber/*tire and rubber*	7.0	6.2	2.15	2.43	15	22¾	12⅜	0.36	2.4
Fischbach/*contracting*	7.0	7.3	6.45	6.13	45	55½	40¾	2.65	5.9
Oxford Industries/*apparel*	7.0	5.8	2.22	2.65	15½	25¾	14⅛	0.40	2.6
Salem Carpet Mills/*textiles*	7.0	4.3	0.57	0.92	4	10⅛	4	—	—
Roper/*appliances*	7.0	6.2	2.35	2.65	16½	29⅜	13	0.50	3.0

*Estimate †Price range is for less than 52 weeks ‡Chapter 11

Sources: Wilshire Associates, Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, Forbes

Statistical Spotlight

That means these companies aren't appealing to the low-P/E investor—unless that investor is willing to bet against the crowd when it comes to future earnings.

Most of the stocks on our list are expected to benefit from higher 1984 earnings. That means one of two things will happen: Either share prices will rise to reflect improved performance, or earnings multiples will fall, appealing all the more to bargain hunters. Sunstar Foods, Ford and Manville, for example, have particularly low multiples based on future earnings.

General Motors shows up favorably, too. If the analysts are correct, it is now priced at 4.1 times 1984 earnings. That seems like a bargain. But it is also a sign that investors are well aware of the cyclical peaks and valleys in the automobile business. Buying GM or Ford today may be less a bet on low-P/E ratios than a bet that the demand for cars won't fall rapidly after 1984.

Several industry groups, including food processing, building materials and telephone utilities, are well represented in our table. But you won't see any electric utilities or financial firms. Nearly all companies in these two groups trade at low current multiples, so we culled them from our list. We also tossed out any stock selling for less than $3.

If the economy continues to grow and investors regain their recent confidence, this list of stocks offers considerable upside potential. Many of these issues now trade near the low end of their 52-week price range. The average earnings multiple is 6.5 based on current earnings and only 6.1 based on fiscal 1984 estimates. At today's prices, that's about a 50% discount from the overall market. ■

Hunting grounds for low-P/E investors

	P/E		EPS		Stock price				
						52-week			
Company/*business*	latest 12 months	1984 estimate	latest 12 months	1984 estimate	recent	high	low	Dividend	Yield
Morrison-Knudsen/*construction*	7.0	7.7	$3.97	$3.62	27⅞	34⅛	26¼	$1.40	5.0%
Jewel Cos/*grocery stores*	7.0	7.2	6.09	5.94	42⅞	54⅝	42⅞	2.60	6.1
Shaw Inds/*textiles*	7.1	6.0	2.30	2.72	16¼	23	11⅜	0.50	3.1
Pacific Scientific/*aerospace*	7.1	8.5	1.98	1.65	14	39⅞	13⅛	0.40	2.9
Standun/*machinery*	7.1	4.6	1.13	1.75	8	18½	7⅝	—	—
Presley Cos/*building*	7.1	5.4	1.80	2.38	12¾	20¾	11⅜	0.30	2.4
Best Products/*specialty retail*	7.1	6.9	1.90	1.97	13½	26⅛	12¾	0.24	1.8
AH Robins/*ethical drugs*	7.1	6.5	2.40	2.65	17⅛	29⅛	16⅝	0.68	4.0
North American Coal/*coal mining*	7.2	7.1	6.27	6.38	45⅛	52¼	28¾	0.90	2.0
Cincinnati Bell/*telephone utility*	7.3	7.1	5.31	5.41	38½	41⅞	33¼	2.92	7.6
Tultex/*apparel*	7.3	5.9	1.62	1.98	11¾	30½	11	0.36	3.1
United Telecommunications/*tel utility*	7.3	6.4	2.61	2.99	19	25	18⅝	1.84	9.7
Bell Atlantic/*telephone utility*	7.3	7.3	9.69*	9.65	70⅝	75⅛†	65†	6.40	9.1
Palm Beach/*apparel*	7.3	6.1	3.60	4.28	26¼	36⅛	24⅛	1.20	4.6
Magic Chef/*appliances*	7.3	6.1	4.35	5.17	31¾	43⅜	24¼	0.80	2.5
Bassett-Walker/*apparel*	7.3	6.6	2.70	2.98	19¾	32¾	18	0.44	2.2
West Point-Pepperell/*apparel*	7.3	6.7	5.55	6.08	40⅝	54⅞	39¼	2.20	5.4
Phillips-Van Heusen/*apparel*	7.3	5.8	2.61	3.28	19⅛	23⅞	10⅛	0.40	2.1
Weinfields/*retail*	7.3	6.1	2.93	3.55	21½	27¾	18	0.80	3.7
Rowe Furniture/*furniture*	7.3	6.2	0.97	1.15	7⅛	11⅞	5⅞	0.17	2.4
Galaxy Carpet Mills/*textiles*	7.3	5.8	2.45	3.13	18	27	16	—	—
Standard Prods/*auto parts*	7.3	7.3	3.13	3.15	23	26⅛	11	0.40	1.7
GTE/*telecommunications equip*	7.4	6.7	5.00	5.50	36¼	48⅜	34⅞	3.00	8.2
GC Murphy/*retail*	7.4	6.1	4.19	5.07	30⅞	40⅜	21⅜	1.28	4.1
Burlington Inds/*apparel*	7.4	5.9	3.90	4.88	28⅞	43	26¼	1.64	5.7
Lockheed/*aerospace*	7.4	6.1	4.18	5.05	31	47½	30⅝	—	—
Standard Oil of California/*integrated oil*	7.4	6.0	4.65	5.75	34½	40⅞	31⅞	2.40	7.0
Fab Inds/*textiles*	7.4	6.3	2.12	2.50	15¾	19⅝	11¼	0.35	2.2
Jamesway/*retail*	7.5	6.7	1.91	2.14	14¼	25¾	11¾	0.10	0.7
Allied Stores/*retail*	7.5	6.6	5.75	6.55	43	56½	39¾	2.00	4.7
Levi Strauss & Co/*apparel*	7.5	7.1	4.61	4.86	34½	56	33⅜	1.85	5.4
Giant Food/*grocery stores*	7.5	6.6	2.65	3.02	19⅞	24⅞	18¼	0.60	3.0
Writer Corp/*construction*	7.6	5.9	1.21	1.57	9¼	19¼	9¼	0.10	1.1
Goody Products/*cosmetics*	7.7	6.5	1.24	1.47	9½	18⅞	9½	0.30	3.2

*Estimate †Price range is for less than 52 weeks

Sources: Wilshire Associates, Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, Forbes